



Press Release

Goodwill Advance Construction Company Private Limited

June 20, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	2.46	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	40.00	IVR A3 (IVR A three)	Assigned	Simple
Total	42.46 (INR Forty two crore forty six lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Goodwill Advance Construction Company Private Limited (GACCPL) considers experienced promoters with long track record in the civil construction business with established relationship with reputed players in the market, steady growth in topline and profits. Moreover, the ratings also consider satisfactory order book position leading to revenue visibility in the near term and comfortable financial risk profile. However, these rating strengths are constrained by modest scale of operation although expected to improve in the near term, tender driven nature of business in highly fragmented & competitive operating scenario, client concentration and exposure to project execution risk and working capital intensive nature of operation.

Key Rating Sensitivities:

Upward Factors

- Growth in revenue and profitability leading to rise in gross cash accruals on a sustained basis with healthy order inflow.
- Improvement in capital structure and debt protection metrics.
- Improvement in liquidity position marked by improvement in the operating cycle.

Downward Factors



Press Release

- Moderation in total operating income and/or moderation in profitability leading to deterioration in gross cash accruals on a sustained basis.
- Deterioration in the capital structure and/or deterioration in debt protection metrics with decline in interest coverage ratio.
- Stretch in working capital cycle leading to deterioration in liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record in the civil construction business

Mr. Harbans Sethi has around 5 decades of experience and the other two directors Pankaj Sethi and Rohit Sethi have around 3 decades of experience in construction of green field & brown field projects. The long presence in the industry and timely execution of projects, the management has enlarged its customer base and have been working with majority of them from long time. Some of the clients base includes Rajasthan Rajya Vidyut Utpadan Nigam Limited, Kota Thermal Power Station, Adani Infra, Tata Projects.

Growth in topline and profits

The topline of the GACCPL improved in FY23(prov.) to Rs.136.98 crore with a CAGR of 29% within three financial years (FY21 to FY23), from Rs.80.62 crore in FY21 (62.30 crore in FY22). Due to increase in the inflow of contracts along with timely execution of the contracts. With the rise in the turnover the absolute EBIDTA and PAT increased in FY23 to Rs.14.35 crore and Rs.8.68 crore respectively from Rs.9.60 crore and Rs.5.12 crore in FY21 respectively. However, EBIDTA margin declined to 10.48% in FY23(prov.) from 11.54% in FY21 (11.62% in FY22) due to increase in the raw material cost. PAT margin increased to 6.34% in FY23 from 6.15% in FY21 due to decrease in the interest expenses with the repayment of the Covid loan.

Satisfactory order book Position

As of April 30, 2023, the company had an unexecuted order book of Rs. 651.78 crore, which is expected to be completed in a period of 24 months. The current unexecuted order book is 4.45 times of revenues of FY23.



Press Release

Comfortable financial risk profile

The capital structure of the company stood comfortable and considering the unsecured loans from the promoters at Rs.5.00 crore as quasi equity as it is subordinated to debt overall gearing stood at 0.66x as on March 31, 2023(prov.) and moderated from 0.45x as on March 31, 2021 due to increase in the working capital loans. Long Term Debt to equity ratio was low at 0.16 times as on March 31, 2023 (prov.) (0.11 times as on March 31, 2021). TOL/TNW was 0.88 times on March 31, 2023 (prov.) (0.64 times as on March 31, 2021).

Key Rating Weaknesses

Modest scale of operation although expected to improve in the near term

The topline of the company remains moderate over the last three fiscal years. The topline of the company remained at Rs.136.98 crore in FY23(prov.). During the last two previous years topline had declined continuously to Rs.83.18 crore in FY21 and further to Rs.64.69 crore in FY22. The company has received a drawback in the execution of orders in FY21 and FY22 due to the pandemic and further affected due to the change in the payment terms as the bills could be raised for the work completed. The company expects better turnover in FY24 on account of higher execution of orders.

Tender driven nature of business in highly fragmented & competitive operating scenario

GACCPL's business is dependent on the company's ability to successfully bid for the tenders. Further, the domestic infrastructure/construction sector is highly fragmented with presence of many players with varied statures & capabilities. This restricts GACCPL's operating and financial flexibility.

Client concentration and exposure to project execution risk

Out of Rs. 651.78 crore work order constitutes of 24% from Public Health Engineering Department of Rajasthan indicating project concentration risk. One of the work order is on Joint Venture with SCC infrastructure Private Limited, Ahmedabad forming 21% of the



Press Release

unexecuted order book and 18% followed by Government of Rajasthan vide Deputy Secretary, Indira Gandiri Nahar Departmentperiod in FY24.

Working capital intensive nature of operation

The operations of the company is highly working capital intensive marked by its elongated average collection period of 83 days in FY23 (160 days in FY21). The collection period remains stretched on account of retention money which is realized after the completion of the project also due to the delayed payment led by covid 19. The working capital intensity remained at 0.30x in FY23(prov.).

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity –Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. The average fund based utilisation for the past twelve months ended May, 2023 remained moderate at ~63% indicating a sufficient cushion. The company has earned Gross Cash Accruals of Rs.10.33 crore in FY23(prov.).

About the company

Goodwill Advance Construction Company Private Limited was originally established as a proprietorship firm in 1990 by Mr Harbans Lal Sethi. In 2009, the firm was reconstituted as a private limited company with the current name. GACCPL is "AA" Class Government Approved Contractorsmainly engaged in the business of civil construction which includes canal construction, dam construction, irrigation projects and thermal power plant projects, Pipeline, High level bridges for Government departments and private sectors. The company works for the state governments of Rajasthan, Madhya Pradesh, Chhattisgarh.



Press Release

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Provisional
Total Operating Income	64.69	136.98
EBIDTA	7.52	14.35
PAT	4.44	8.68
Total Debt	31.49	51.05
Tangible Net Worth	63.83	72.52
Adjusted Tangible Net Worth	74.38	83.05
EBDITA Margin (%)	11.62	10.48
PAT Margin (%)	6.86	6.34
Overall Gearing Ratio (x)	0.46	0.66

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA:

ICRA Limited has moved the rating(s) under the 'issuer non-cooperating' of Goodwill Advance Construction Company Private Limited (GACCPL) on consideration of lack of adequate information regarding Goodwill Advance Construction Company Pvt. Ltd.'s (GACCPL) performance and hence, the uncertainty around its credit risk dated March 13, 2023.

CARE Ratings Ltd. had, vide its press release dated June 18, 2021, placed the rating(s) of Goodwill Advance Construction Company Private Limited (GACCPL) under the 'issuer non-cooperating' category as GACCPL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement.

Any other information: Nil

Rating History for last three years:



Press Release

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	WCTL under UGECL	Long Term	2.46	IVR BBB-/ Stable	-	-	-
2.	Bank Guarantee	Short Term	40.00	IVR A3	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Preety Jalan Tel: (033)- 46022266 Email: preety.jalan@infomerics.com	Name: Sandeep Khaitan Tel: (033)- 46022266 Email: Sandeep.khaitan@infomerics.com
---	--

About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating



Press Release

assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
WCTL under UGECL	-	-	October 2025	2.46	IVR BBB-/ Stable
Bank Guarantee	-	-	-	40.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-GACCPL-jun23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.