



Press Release

Goodwill Advance Construction Company Private Limited

June 03, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	26.61 (enhanced from Rs 2.46 crore)	IVR BBB/ Stable (IVR triple B with Stable Outlook)	Upgraded from IVR BBB-/ Stable (IVR triple B minus with stable Outlook) and Assigned	Simple
Short Term Bank Facilities	40.00	IVR A3+ (IVR A Three Plus)	Upgraded from IVR A3 (IVR A Three)	Simple
Total	66.61 (Rs. Sixty crore and sixty-one lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The upgradation of the ratings assigned to the existing bank facilities, and the ratings assigned to the enhanced long-term bank facilities of Goodwill Advance Construction Company Private Limited (GACCPL) is on account of vast experience of the promoters with long track record in the civil construction business, growth in both topline and profits in FY24 (Prov.), satisfactory order book position and comfortable financial risk profile. These strengths are partially offset by moderate scale of operation although expected to improve in the near term, tender driven nature of business in highly fragmented & competitive operating scenario, client and geographical concentration risk, working capital intensive operations and contract execution risk.

Key Rating Sensitivities:

Upward Rating 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.



Press Release

Downward Rating Factors

- 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 five decades of experience and the other two directors Pankaj Sethi and Rohit Sethi have around three decades of experience in construction business. 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 in FY24 (Prov.)**

The company's total operating income witnessed significant growth, nearly doubling in FY24 (Prov.) to Rs. 273.59 crore from Rs. 137.15 crore in FY23. This improvement, driven by a healthy order book position and smoother execution of existing projects, demonstrates a robust upward trajectory. As of April 30, 2024, the order book stood at Rs. 595.50 crore, to be executed over the next 2-3 years, indicating healthy revenue visibility for future years. The current order book value is 2.20 times the revenue of FY24 (provisional). With the increase in topline, the company's profits also improved. The EBITDA and PAT rose year-on-year by around 109% and 90% to Rs. 29.37 crore and Rs. 17.24 crore in FY24 (prov.) respectively. Consequently, GCA improved by about 101% year-on-year to Rs. 19.57 crore compared to Rs. 9.73 crore in FY23. At the margins level, the EBITDA margin saw a slight improvement, increasing by 53 basis points to 10.74% in FY24 (prov.) from 10.21% in the previous year. This improvement was driven by the increase in scale which resulted in better absorption of fixed costs. However, due to increased interest costs, the profit margin slightly declined to 6.30% in FY24 (prov.) from 6.60% in the previous year.



Press Release

- **Satisfactory order book position**

As on April 30, 2024, the company has an unexecuted order book of Rs. 595.50 crore in hand to be executed in the next 2-3 years indicating healthy revenue visibility in the future years. The current order book value is 2.20 times the revenue of FY24 (Prov.).

- **Comfortable financial risk profile**

The capital structure of the company remained comfortable, with unsecured loans from the promoters amounting to Rs. 7.71 crore being considered as quasi-equity due to their subordination to debt. The company's capital structure consisted of total debt of Rs. 69.74 crore as on March 31, 2024 (Prov.), up from Rs. 48.88 crore as on March 31, 2023. The increase in total debt was on account of working capital limits of Rs 25 crores being availed for supporting increasing scale of operations. The net worth of the company increased to Rs. 97.30 crore up from Rs. 80.06 crore due to accretion in reserves due to profits earned by the company. Consequently, the overall gearing ratio stood at 0.72x as of March 31, 2024 (Prov.), moderating from 0.61x as of March 31, 2023, due to an increase in working capital borrowings. The long-term debt to equity ratio was low at 0.05x as of March 31, 2024 (Prov.), compared to 0.13x as of March 31, 2023. The TOL/TNW ratio was 1.13x as of March 31, 2024 (Prov.), deteriorated from 0.84x as of March 31, 2023.

Key Rating Weaknesses

- **Moderate scale of operation although expected to improve in the near term**

The topline of the company remains moderate over the last three fiscal years. In FY24(Prov.) topline of the company stood at Rs.270.63 crore. Such modest scale of operations limits the ability of the entity with respect to pricing power with suppliers and customer, economies of scale and to bid for various projects.

- **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 Risk**



Press Release

The company's client base is heavily concentrated within the Public Works Department (PWD), Public Health Engineering Department (PHED), and the Water Resources Division in the state of Rajasthan and Madhya Pradesh. The top five clients together contributed approximately 80% of the company's revenue in FY24 (Prov.) indicating high client concentration risk. Besides this, the company's work order from the Public Health Engineering Department (PHED) of Rajasthan constituted 26% of its total orders, indicating a significant project concentration risk.

- **Geographical concentration risk**

The operations of the company is concentrated in the state of Rajasthan and Madhya Pradesh and therefore the company is exposed to geographical concentration risk. Rajasthan has contributed substantially to the revenue of the company (~80-90%). This can lead to increased vulnerability to regional economic downturns, natural disasters, and political changes. Going forward, to mitigate the geographical concentration risk to some extent, the company is looking to take up projects in states of Chhattisgarh as well.

- **Working capital intensive operations**

The operations of the company is highly working capital intensive marked by average collection period of 55 days in FY24 (Prov.) (72 days in FY23). The collection period remains stretched on account of retention money which is realized after the completion of the project. The working capital intensity remained at 0.33x(PY:0.46x) and operating cycle stood at 61 days (PY: 67 days) as on March 31, 2023.

- **Contract execution risk**

The company is exposed to project execution risk of the pending order book, owing to the uncertainties in the EPC business. The ability of the company to execute the projects without delay would be a key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)



Press Release

Complexity Level of Rated Instruments/Facilities

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 FY25-FY27. The average fund-based utilisation for the past twelve months ended April, 2024 remained moderate at ~73% indicating a sufficient cushion. The company has earned Gross Cash Accruals of Rs.19.57 crore in FY24(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 mainly engaged in the business of civil construction which includes canal construction, dam construction, irrigation projects, High level bridges for Government departments and private sectors. The company works for both the state governments of Rajasthan and Madhya Pradesh and private players. However, substantial portion of the revenues (~80%) is contributed by government departments.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	64.69	137.15
EBITDA	7.52	14.00
PAT	4.44	9.05
Total Debt	29.31	48.88
Tangible Net worth	71.01	80.06
EBITDA Margin (%)	11.62	10.21
PAT Margin (%)	6.86	6.60
Overall Gearing Ratio (x)	0.41	0.61

**As per Infomerics' Standards*



Press Release

Status of non-cooperation with previous CRA:

ICRA Limited has continued the ratings of Goodwill Advance Construction Company Private Limited (GACCPL) under the 'Issuer Not Cooperating' category in absence of the requisite information as per the press release dated May 16, 2024.

CARE Ratings had, vide its press release dated August 18, 2023, continued the ratings of Goodwill Advance Construction Company Private Limited (GACCPL) under the 'Issuer Not Cooperating' category as GACCPL had failed to provide information for monitoring of the ratings.

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (June 20, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	WCTL under UGECL	Long Term	1.61	IVR BBB/Stable	IVR BBB-/Stable	-	-
2.	Cash Credit	Long Term	25.00	IVR BBB/Stable	-	-	-
3.	Bank Guarantee	Short Term	40.00	IVR A3+	IVR A3	-	-

Name and Contact Details of the Rating Analyst:

Name: Sandeep Khaitan
Tel: (033) 46022266
Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



Press Release

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.





Press Release

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 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	-	-	FY26	1.61	IVR BBB/ Stable
Cash Credit	-	-	-	25.00	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-Goodwill-jun24.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