

## G Ramamoorthi Constructions India Private Limited

January 04, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	7.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	9.00 (Enhanced from 4.00)	CARE A4+ (A Four Plus)	Reaffirmed
<b>Total Bank Facilities</b>	<b>16.00</b> <b>(Rs. Sixteen Crore Only)</b>		

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of G Ramamoorthi Constructions India Private Limited (GRCIPL) continue to be constrained by moderate scale of operations, moderate and concentrated order book position, profitability margins susceptible to fluctuation in raw material prices. However, ratings derive strength from experienced promoters with long track record of operations, comfortable capital structure and debt coverage indicators.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Ability to scale up operations with total income above Rs.120 crore while maintain PBILDT margin above 8% on sustained basis.
- Improve the order book position to more than 3x of annual turnover.

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any significant delays in execution of orders resulting in sizable decline in scale of operations below Rs.30 crore on sustained basis.
- Any increase in debt levels and withdrawal of funds from capital leading to deterioration of capital structure above 3x
- Any delay in receipt of collection from customers leading to stretched liquidity position.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Moderate scale of operations

The scale of operations of the company remained moderate with total income of Rs. 74.99 crore which declined from Rs. 88.08 crore in FY20 due to low execution of orders following covid lockdown restrictions. The company had booked income of Rs.40 crore during 8mFY22.

##### Moderate and concentrated order book position

The company has moderate order book of Rs. 86.63 crore which translated to 1.66 times of FY21 revenue as on December 24, 2021 as against Rs. 90.77 crore in March 2021. The current order book of the firm is geographically concentrated from areas in and around Tamil Nadu. The order book mainly comprised of construction of residential and commercial buildings, villas, hospitals and educational institutions from individuals and private organizations.

##### Profitability margins are susceptible to fluctuation in raw material prices

The prices of the key raw materials viz., iron & steel cement, ready-mix concrete (RMC) and aggregates are very volatile in nature. GRCIPL have price escalation clauses in current contracts. Volatility in input prices also impacts the profitability margins. Moreover, the company does not enter into any agreement with contractor to safeguard its margins and against any increase in labour prices thus it remains susceptible to the same. Hence, any adverse fluctuation in the prices can adversely affect the profitability margins of the company.

### Key Rating Strengths

#### Experienced promoters with long track record of operations

Mr. G Ramamoorthi is a B E (Civil) graduate and has more than three decades of experience in the civil construction industry resulting into established customer base and helps to seek regular orders from existing customers who are majorly corporate groups involved in real estate.

#### Comfortable capital structure and debt coverage indicators

The capital structure of the company improved and remained comfortable with overall gearing at 0.39x as of March 31, 2021 (Prov.) as against 0.56x as of March 31, 2020 due to minimum utilisation of working capital along with increase in networth backed by accretion of profits. The company did not rely much on mobilisation advances from the client.

The debt coverage indicators stood comfortable marked with TD/GCA which improved to 2.06x as of March 31, 2021 (Prov.) from 2.33x as of March 31, 2020 while the interest coverage improved from 7.28x in FY20 to 8.42x in FY21.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Liquidity: Stretched

Liquidity is stretched marked by tightly matched accruals to repay its term debt obligations along with moderate cash balance of Rs. 1.08 crore as of March 31, 2021 (Prov.) and higher utilisation of working capital limits due to elongation in operating cycle at 117 days in FY21 (PY:96 days). The collection period stretched to 100 days in FY21 from 85 days in FY20 on account of bills not been realized due to covid pandemic. Notable portion of receivables consist of retention money which will be realized post completion of projects. The company had been sanctioned with working capital limit of Rs. 7.00 crore and the average utilisation stood at 80% for last twelve months ended November 30, 2021. The entity had not availed moratorium as covid relief measures.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology – Construction Sector](#)

[CARE's Criteria for Short Term Instruments](#)

### About the Company

G Ramamoorthi & Co established in the year 1991 and promoted by Mr. G Ramamoorthi in Coimbatore, Tamil Nadu. Later in 2008, the firm was converted into private limited and name of the entity changed to current nomenclature i.e. G Ramamoorthi Constructions India Private Limited (GRCIPL). The company is engaged in construction of residential, industrial and commercial buildings in Tamil Nadu. The company undertakes projects from individuals and private organizations.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (P)	H1FY22
Total operating income	88.08	74.99	NA
PBILDT	6.16	5.60	NA
PAT	3.19	2.92	NA
Overall gearing (times)	0.39	0.29	NA
Interest coverage (times)	7.28	8.42	NA

A: Audited; P: Provisional; NA: Not Available

**Status of non-cooperation with previous CRA:** ICRA has conducted the review of G Ramamoorthi Constructions India Private Limited and classified into 'issuer not cooperating' based on best available information vide PR dated September 23, 2021.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	7.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantees		-	-	-	9.00	CARE A4+

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Bank Overdraft	LT	7.00	CARE BB+; Stable	-	1)CARE BB+; Stable (16-Mar-21)	1)CARE BB+; Stable (03-Mar-20)	1)CARE BB+; Stable (25-Jan-19)
2	Non-fund-based - ST-Bank Guarantees	ST	9.00	CARE A4+	-	1)CARE A4+ (16-Mar-21)	1)CARE A4+ (03-Mar-20)	1)CARE A4+ (25-Jan-19)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - ST-Bank Guarantees	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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