

## Geo Miller & Company Private Limited (trans.w.b.to Delhi)

April 06, 2022

### Ratings

| Facilities/Instruments       | Amount<br>(Rs. crore)  | Rating <sup>1</sup>                                    | Rating Action |
|------------------------------|--|--|---------------|
| Long Term Bank Facilities    | 1.20   | CARE BBB-; Stable<br>(Triple B Minus; Outlook: Stable) | Reaffirmed    |
| Short Term Bank Facilities   | 73.30<br>(Reduced from 84.30)  | CARE A3<br>(A Three)                                   | Reaffirmed    |
| <b>Total Bank Facilities</b> | <b>74.50</b><br><b>(Rs. Seventy-Four Crore and Fifty Lakhs Only)</b> |  |               |

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The rating to the bank facilities of Geo Miller & Company Private Limited (trans.w.b.to Delhi) (GMPL) continue to derive strength from its experienced promoters with established track record, healthy order book position, though concentrated with few large orders and comfortable capital structure. The ratings however, continue to remain constrained by small scale of operations with a small net-worth base, elongated collection period, exposure to volatility in raw material prices, competitive and fragmented nature of industry.

### Rating Sensitivities

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

- Improvement in average collection period to less than 75 days on a sustained basis.
- Growth in overall scale of operations and improve the profitability levels along with diversification in order book

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

- Deterioration in average collection period to more than 250 days on a sustained basis
- Deterioration in capital structure with overall gearing ratio beyond 2.0x on a sustained basis

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Experienced promoters with established track record

GMPL, incorporated in 1929 is a closely held company. The company is well established in the field of water, wastewater and effluent treatment plant since inception. The promoters of the company have vast experience in construction of water, wastewater and sewage treatment plants. The director of the company, Mr Abhishek Das Mundhra is having 25 years of experience in this field. Other directors of the company, Mr S.S. Mahanot is a qualified FCA, FCS and looks after finance function of the company and Mr Anil Kumar Rajani is B.E. (Hons.) Chemical and ME (Environ) engineer, has more than 25 years of experience in this field.

##### Healthy order book position, though concentrated with few large orders

As on December 31, 2021, GMPL has a healthy unexecuted order book position of around Rs.430 Cr representing 5.8x of FY21 total operating income providing medium term revenue visibility. The company envisages 10-15% jump in its revenue in projected financials of next three FYs on account of newly awarded projects of more than Rs. 140 Cr. The major clientele of GMPL includes various municipal corporations (outstanding order book pertains to contracts from government agencies and municipal corporations including Jal Boards.

##### Comfortable capital structure

The capital structure of GMPL is comfortable with relatively low long-term external debt and is mainly managing its liquidity with funding from creditors, provisions made for O&M expenses and mobilization advances. The long-term debt-equity ratio stood at 0.10x as on March 31, 2021 (PY: 0.46x). The Overall gearing of the company also remained comfortable at 0.03x in FY21 (PY: 0.03x). However, on including LT mobilization advances as term debt, the overall gearing ratio increased to 0.10x as on March 31, 2021 (PY: 0.46x), the same has improved on account of decline in mobilization advances as the same has been adjusted with completion of project. The Interest coverage ratio has improved significantly from 8.92x in FY20 to 25.10x in FY21 on account of lower utilization of fund-based limits leading to lower interest expense.

### Key Rating Weaknesses

#### Modest scale of operations with a small net-worth base

During FY21, GMPL witnessed marginal improvement TOI of Rs. 73.82Cr (PY: Rs. 71.36 Cr). However, in FY22, on account of healthy order book as on December 31, 2021 having total unexecuted contract value of around Rs. 432 Cr, the company expects increase in its scale of operations in the coming FYs. As on March 31, 2021, the net-worth of the company continues to

<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

be small at Rs.22.37 Cr (PY: Rs. 20.19 Cr). However, despite small net-worth base with small scale of operations, the company manages to bag big orders due to long-track record of operations with large number of successful plant installations of over 565 plants till December 31, 2021, showing expertise of GMPL in this field and thus, gives a competitive edge to the company.

### **Elongated collection period**

The operations of the company are working capital intensive since the main customers are state government and municipal corporations. Thus, due to procedural difficulties, there is usually a delay in recovery of debtors consists of Ahmedabad Municipal Corporation, Officer on Special Duty, New Town Kolkata water supply, Municipal Bilaspur and Commissioner Nagar Nigam Jodhpur. However, the trade receivables (exceeding 6 months) of Rs. 10.94 Cr (FY21) consists of the bills raised for completed contracts in which the bill amount also includes the retention money deducted over the period of contract execution and the trade receivables (less than 6 months) are the normal debtors to whom bills are raised for the work done till a particular stage, which is usually realised within 30-45 days. During FY21, the debtor days stood at 136 days in FY21 from 171 days in FY20 mainly contributed by decrease in receivables for more than 6 months to Rs. 10.94 Cr (PY: Rs. 12.07 Cr).

### **Exposure to volatility in raw material prices**

The latest order book of the company has a mix of contracts having escalation clause and fixed price contracts not having escalation clause. Earlier, there were more of fixed price contracts in which profit margins were susceptible to rise in input. Thus, the susceptibility of profit margins to rise in input costs has reduced to some extent.

### **Competitive and fragmented nature of industry**

Though the demand prospects in water and wastewater treatment market are favourable given Government of India's initiatives like JNNURM for facilitating investment in municipal infrastructure, the company remains exposed to the competitive pressure from other established players. Furthermore, the construction industry is fragmented with large number of small and medium scale players. This along with the tender driven nature of the construction contracts leads to intense competition and puts pressure on the profitability margins of players like GMPL.

### **Liquidity Position- Adequate**

The company has total sanctioned fund-based limits of Rs.5.20 Cr including cash against EMD facility of Rs.4 Cr with the overall utilization stood low for the last 12 months ended on Jan 2022. Furthermore, GMPL keeps a portion of contract amount given to the subcontractors as retention money, stood at Rs. 15.32 Cr as on March 31, 2021 (PY: Rs. 14.81 Cr), which is usually paid post realization from clients and mobilization advances of Rs. 1.53 Cr (as on March 31, 2020) for various orders, which are used to manage working capital requirements with lower dependence on fund-based limits.

### **Analytical approach:** Standalone

#### **Applicable Criteria**

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

#### **About the Company**

Geo Miller & Co. Pvt. Ltd. (GMPL) was incorporated in 1929 as a British mining firm in Kolkata and was later transformed into a native company in 1947. The company primarily has two divisions, viz. water treatment division and pollution control equipment division. The water treatment division does turnkey execution of water treatment, wastewater treatment and sewage treatment plants. The pollution control equipment division, having manufacturing unit situated at Village Khandsa, Gurgaon (Haryana), is involved in fabrication of equipment required for waste and sewage treatment plants and also manufactures ready to use package for water and sewage treatment plants used in hotels, resorts etc.

| <b>Brief Financials (Rs. crore)</b> | <b>31-03-2020 (A)</b> | <b>31-03-2021 (A)</b> | <b>9MFY22</b> |
|-------------------------------------|-----------------------|-----------------------|---------------|
| Total operating income              | 68.98                 | 73.82                 | 58.50         |
| PBILDT                              | 3.70                  | 3.64                  | 2.95          |
| PAT                                 | 1.87                  | 2.18                  | 1.84          |
| Overall gearing (times)             | 0.46                  | 0.11                  | NA            |
| Interest coverage (times)           | 8.92                  | 25.10                 | NA            |

A: Audited; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**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-Cash Credit            |      | -                | -           | -             | 1.20                          | CARE BBB-; Stable                         |
| Non-fund-based - ST-BG/LC              |      | -                | -           | -             | 69.30                         | CARE A3                                   |
| Fund-based - ST-Working Capital Limits |      | -                | -           | -             | 4.00                          | CARE A3                                   |

**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-Cash Credit            | LT              | 1.20                           | CARE BBB-; Stable | 1)CARE BBB-; Stable (05-Apr-21)           | 1)CARE BBB-; Stable (06-Apr-20)           | -   | 1)CARE BBB-; Stable (27-Feb-19)           |
| 2       | Non-fund-based - ST-BG/LC              | ST              | 69.30                          | CARE A3           | 1)CARE A3 (05-Apr-21)                     | 1)CARE A3 (06-Apr-20)                     | -   | 1)CARE A3 (27-Feb-19)                     |
| 3       | Fund-based - ST-Working Capital Limits | ST              | 4.00                           | CARE A3           | 1)CARE A3 (05-Apr-21)                     | 1)CARE A3 (06-Apr-20)                     | -   | 1)CARE A3 (27-Feb-19)                     |

\* Long Term / Short Term

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

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

| Sr. No | Name of instrument                     | Complexity level |
|--------|--|------------------|
| 1      | Fund-based - LT-Cash Credit            | Simple           |
| 2      | Fund-based - ST-Working Capital Limits | Simple           |
| 3      | Non-fund-based - ST-BG/LC              | 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 for any clarifications.

## Contact us

### Media Contact

Name: Mradul Mishra  
Contact no.: +91-22-6754 3573  
Email ID: mradul.mishra@careedge.in

### Analyst Contact

Name: Amit Jindal  
Contact no.: 9873003949  
Email ID: amit.jindal@careedge.in

### Relationship Contact

Name: Swati Agrawal  
Contact no.: +91-11-4533 3200  
Email ID: swati.agrawal@careedge.in

### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

### Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**