

Generic Engineering Construction and Projects Limited

November 15, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	45.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	39.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (Double B Plus ; Outlook: Stable/ A Four Plus ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable / A Three) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	6.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Revised from CARE A3 (A Three) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	90.00 (₹ Ninety Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has been seeking information from Generic Engineering Construction and Projects Limited to monitor the ratings vide e-mail communications dated July 21, 2022, August 10, 2022, September 14, 2022, October 7, 2022 and October 14, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings.

In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating of Generic Engineering Construction and Projects Limited's bank facilities will now be denoted as **CARE BB+;Stable / CARE A4+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings have been revised on account of non-availability of information regarding the debtor position and on-going projects of the company during FY22.

Detailed description of the key rating drivers

At the time of last rating on October 1, 2021, the following were the rating strengths and weaknesses:

Key Rating Strengths

Experienced promoters having established track record in construction activities

The company possesses a long track record of over five decades of operations in construction activities. Furthermore, the promoters are highly experienced with their association for more than two decades in the industry. The company has undertaken various residential projects, commercial projects including those for commercial complexes, shopping complexes, R&D centers, automobile showrooms, data centers, cold storage units, IT parks, educational academies, etc. On the other hand, the industrial projects comprising construction of factories across various sectors viz. spices, sweets & confectioneries, cold storage, metals, chemicals, etc.

Healthy order book position

The order book position of GECPL remained healthy with the total value of unexecuted orders reaching Rs.1,244.74crore as on June 30, 2021. From April 2021 to June 2021, the company has bagged fresh orders from various companies which are expected to be executed at various periods but latest by end of 2023. However, about 50% of the total order book remains slow moving due to the disruption in project execution caused during H1FY21 by lockdowns and labour non-availability. Currently the order executions are occurring at full pace which can be corroborated from the revenue generation shown in Q4FY21 and Q1FY22.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate profit margins

The PBILDT margin of GECPL continued to remain moderate at 16% in FY21 led by proportionate decrease in various overhead costs viz. salary expenses, office expenses, professional fees, conveyance and travelling charges, labour charges, hire charges etc. PAT margin declined from 7.22% in FY20 to 2.11% in FY21 owing to increase in the depreciation & interest costs. Due to the pandemic the receivables have been stretched as the payments were slowly released by clients. However, the company managed to keep up with delays in project execution faced in H1FY21 by availing working capital limits as well as ECLGS loan from banks, which in turn led to higher interest expenses.

Comfortable capital structure

The capital structure of GECPL continued to remain comfortable with the overall gearing of 0.38 times as on March 31, 2021 (vis-à-vis 0.32 times as on March 31, 2020). Further Total Outside Liabilities to Net-worth was at 0.55x as on March 31, 2021 vis-à-vis 0.49x as on March 31, 2020.

Owing to the decline in scale of operations and consequent deterioration in cash accruals, the total debt/GCA deteriorated to 5.71x in FY21 (vis-à-vis 2.51x in FY20). Further, due to the increase in the interest expenses owing to increase in the debt levels, the interest coverage ratio deteriorated to 3.50x in FY21 (vis-à-vis 5.71x in FY20).

Key Rating Weaknesses**Moderate scale of operations**

During FY21, total operating income of company declined to Rs.131.88 crore (vis-à-vis Rs.201.23 crore in FY20) due to the labour availability issues pertaining to covid 19 from April to August 2020. In some of the government projects such as Maharashtra State Police Housing-Marol the company faced challenges with respect to clearances from various government agencies, transfer of services of supervising government officials and relocation of labourers to site which led to delays in execution. In H2FY21 the company regained the pace at work with the reopening of lockdown and return of migrant labourers. The management is expecting to achieve better revenues in the upcoming quarters owing to the increase in the order book size availability of labour workforce.

Geographical and Sectoral concentration risk

The projects undertaken by the company are confined mainly to Maharashtra, thereby possessing geographical concentration risk for the company however company has started receiving orders from other states thereby it is diversifying the geographical reach. Majority of the order book is from real estate segment thereby it is linked with the cyclicity nature of real estate.

Working capital intensive nature of operations

Working capital cycle elongated to 313 days in FY21 vis-à-vis 158 days in FY20 on account of stretch in debtors and inventory holding. The billing cycle of the company is about 80% on monthly basis and the rest on milestone basis. The company does not avail mobilization advances in most cases as the clients are largely private sector developers who also accept corporate guarantee in place of bank guarantees; instead, the company has arrangement with developers wherein the company raises bills after the shifting of materials to the site and it receives payment within a few days.

The inventory holding of GECPL deteriorated from 62 days in FY20 to 152 days in FY21 owing to a slow turnaround in the WIP inventory and construction material at site which led to increase in inventory as on March 31, 2021.

Further, the collection period elongated from 141 days in FY20 to 240 days in FY21 owing to slower recoveries from the clients citing the impact of the pandemic. However, collections have improved since Q4FY21 along with normalcy in project execution observed in the last three quarters.

Susceptibility of profit margins to volatile raw material & labour prices

The profit margins of company are susceptible to volatility in prices of various construction materials viz. cement, steel, etc. and also volatile labour prices. However, the same is partially mitigated through price escalation provision made with customers with regards to raw material prices.

Presence in competitive & cyclical construction industry

The company operates in a highly competitive construction industry with a number of small & large players engaged in the construction activities which resulted in moderate profitability due to competitive pricing strategies and with liberal credit policies adopted by the company. Moreover, the prospects are also linked to the cyclicity in the real estate industry which further resulted in slow-down in the ongoing real estate construction projects availed by the company due to muted market sentiments in the real estate industry.

Liquidity: Adequate

The liquidity position of the company remained adequate marked by sufficient cushion in accruals vis-à-vis repayment obligations and cash & bank balance of Rs.8.23crore as on March 31, 2021 vis-à-vis Rs.1.22crore as on March 31, 2020. The average utilization of its working capital limits during past 12 months ended June 2021 stood at 92% and does not provide much liquidity backup. The current ratio and quick ratio stood comfortable at 2.08 times and 1.49 times respectively as on March 31, 2021 (vis-à-vis 2.25 times and 2.03 times respectively as on March 31, 2020).

Analytical approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

[Construction](#)

[Policy on Withdrawal of Ratings](#)

About the company

Generic Engineering Construction and Projects Limited was originally incorporated in the year 1994 under the name of Welplace Portfolio & Financial Consultancy Services Limited which took over the construction business of Generic Engineering and Construction Private Limited in November 2016. GECPL was founded in 1967 by the Patel family and it is currently managed by Mr. Manish Patel and his family along with Mr. Tarak Gor. The company is engaged in construction of various residential, commercial and industrial projects. The company has its registered office is located at Vikhroli in Mumbai, Maharashtra.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23
Total operating income	130.74	260.38	NA
PBILDT	19.95	34.19	NA
PAT	2.78	13.92	NA
Overall gearing (times)	0.29	0.29	NA
Interest coverage (times)	3.31	4.70	NA

A: Audited; NA: Not Available

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

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	NA	45.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	39.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	6.00	CARE A4+; ISSUER NOT COOPERATING*

NA: Not Available, (as per best available information with us)

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	45.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (01-Oct-21) 2)CARE BBB-; Stable (25-May-21)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (26-Feb-21)	1)CARE BBB; Stable (31-Dec-19)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	39.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable / CARE A3 (01-Oct-21) 2)CARE BBB-; Stable / CARE A3 (25-May-21)	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (26-Feb-21)	1)CARE BBB; Stable / CARE A3+ (31-Dec-19)
3	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (01-Oct-21) 2)CARE A3 (25-May-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	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 instruments: CARE Ratings 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.

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About us:

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