Generic Engineering Construction and Projects Limited

February 26, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	18.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	24.00	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; Outlook: Stable / A Three Plus) and moved to ISSUER NOT COOPERATING category
Total Facilities	42.00 (Rs. Forty-Two Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Generic Engineering Construction and Projects Limited. to monitor the rating(s) vide e-mail communications/ letters dated November 23, 2020, November 25, 2020, December 02, 2020, January 15, 2021, January 20, 2021, February 10, 2021 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 publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on GECPL'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 rating(s).

The revision ratings factor in non-cooperation by Generic Engineering Construction and Projects Limited and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of Key rating drivers

At the time of last rating on December 24, 2019 the following were the rating strengths and weaknesses (Updated with financials FY20 and 9MFY21 available on Bombay Stock Exchange)

Key Rating Weaknesses

Moderate scale of operation: The scale of operations of Generic has marginally declined with total operating income (TOI) of Rs. 201.23 crore in FY20 vis-à-vis Rs. 203.65 crore in FY19. The company's total income declined by 49.70% on y-o-y basis and stood at Rs.76.00 crore in 9MFY21 (vis-à-vis Rs.151.08 crore in 9MFY20.

Moderate profit margins: The PBILDT margin of Generic moderated from 15.23% in FY19 to 14.94% in FY20 increase in employee costs. With decline in PBILDT margin, the PAT margin also declined marginally from 7.67% in FY19 to 7.22% in FY20 owing to increase in the depreciation and finance costs in FY20. Further company reported net loss of Rs.3.95 crore in 9MFY21 (vis-à-vis net profit Rs.10.66 crore in 9MFY20).

Working capital intensive nature of operations: Operation of the company continued to remain working capital intensive as funds are blocked in inventory and receivable. The inventory holding period of company increased from 33 days in FY19 to 62 days in FY20. Further, the collection period also elongated from 107 days in FY19 to 141 days in FY20. On the other hand, the creditors' period stood at 71 days in FY20 to 83 days in FY19. Due to the above reasons, the operating cycle also elongated from 57 days in FY19 to 131 days in FY20.

Presence in competitive & cyclical construction industry: Generic 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

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

linked to the cyclicality 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.

Key Rating Strengths

Long track record of operations in construction activities with healthy order execution track record and reputed clientele: Generic possesses a long track record of over five decades of operations in construction activities. The company has undertaken various industrial projects comprising construction of factories across various sectors viz. spices, sweets & confectioneries, cold storage, metals, chemicals, etc. On the other hand, the commercial projects include those for commercial complexes, shopping complexes, R&D centers, automobile showrooms, data centers, cold storage units, IT parks, educational academies, etc.

Highly experienced promoters in construction activities: Generic group was founded in 1967 by Mr. Ravilal Patel, and it is currently being managed by him along with his sons Mr. Manish Patel, Mr. Dinesh Patel and Mr. Mitul Patel, all of who possess a total experience of over 26 years, 19 years and 14 years respectively. Currently, Generic is managed by Mr. Manish Patel, Mr. Jayesh Rawal and Mr. Tarak Gor who is associated with the Generic group since 2012.

Healthy order book position: Generic has healthy order book position of 36 open orders in hand worth Rs.1,114 crore as on September 30, 2019 (vis-à-vis Rs.543.30 crore as on November 1, 2018), which are expected to be executed by December 2022. However, about 50% of the total order book remained slow moving in nature and hence, timely execution of the same remains critical.

Comfortable capital structure & debt coverage indicators: The capital structure of Generic stood stable with the overall gearing of 0.25 times as on March 31, 2020 (vis-à-vis 0.22 times as on March 31, 2019). Owing to the increase in debt level and decrease in the cash accruals, the total debt/GCA marginally deteriorated to 1.98 times in FY20 (vis-à-vis 1.43times in FY19). Further, owing to increase in the interest cost, the interest coverage deteriorated to at 5.71x in FY20 (vis-à-vis 7.39 times in FY19). However it continued to remain comfortable

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer]
[Criteria on assigning outlook and credit watch to Credit Ratings]
[CARE's Policy on Default Recognition]
[Rating Methodology – Construction Sector]
[Financial ratios – Non-Financial Sector]
[Criteria for Short Term Instruments]

About the Company

Generic Engineering Construction and Projects Limited (Generic) was originally incorporated in the year 1994 under the name of Welplace Portfolio & Financial Consultancy Services Limited (Welplace) which took over the construction business of Generic Engineering and Construction Private Limited (GECPL) in November 2016, thereafter which Welplace was renamed to Generic in FY17. GECPL was founded in 1967 by the Patel family and was engaged in construction activities (till the business transfer took place), and is currently engaged in leasing & hiring of various construction equipment. Generic and GECPL are currently managed by Mr. Manish Patel (son of Mr. Ravilal Patel) and his family along with Mr. Tarak Gor and is engaged in construction of various residential, commercial and industrial projects, mainly in Maharashtra. The company is awarded with various certifications viz. ISO 14001:2015, OHSAS 18001:2007 and ISO 9001:2015, whereas its registered office is located at Vikhroli in Mumbai, Maharashtra.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)	9MFY21 (UA)
Total operating income	203.65	201.23	76.00
PBILDT	31.01	30.07	5.7
PAT	15.62	14.54	-3.95
Overall gearing (times)	0.22	0.25	-
Interest coverage (times)	7.39	5.71	1.34

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	18.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-BG/LC	-	-	-	24.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	18.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (31-Dec-19)	1)CARE BBB; Stable (07-Jan-19)	1)CARE BBB-; Stable (13-Nov-17)
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	24.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable / CARE A3+ (31-Dec-19)	1)CARE BBB; Stable / CARE A3+ (07-Jan-19)	1)CARE BBB-; Stable / CARE A3 (13-Nov-17)

**Issuer did not cooperate; Based on best available information*

Annexure 3: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT/ ST-BG/LC	Simple

***Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
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