G3S Builders Private Limited (Revised)

July 02, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	12.00	**CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook : Stable; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Based on best available information
Total	**12.00 (Rs. Twelve crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating drivers

CARE has been seeking no default statement from G3S Builders Private Limited to monitor the rating vide e-mail communications dated June 25, 2019, May 29, 2019, May 22, 2019, May 15, 2019, April 30, 2019, April 03, 2019, April 01, 2019, March 30, 2019, March 07, 2019, March 05, 2019, March 01, 2019, February 28, 2019, February 07, 2019, February 05, 2019, February 01, 2019 and January 31, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided no default statement for monitoring the rating. 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 G3S Builders Private Limited's bank facilities will now be denoted as **CARE B; Stable; 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.

Detailed description of the key rating drivers

At the time of last rating on September 17, 2018, the following were the rating strengths and weaknesses:-

Key Rating Weaknesses

Small scale of operations with low PAT margins

The total operating income of the company grew from Rs. 31.58 crore in FY17 to 36.81 crore in FY18 at an annual growth rate at ~16% on the back of higher number of orders executed, however, the same continued to remain small. The small scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. The PBILDT margin of the company stood moderate at 12.11% in FY18.

Leveraged capital structure and weak total debt to GCA ratio

The net worth base improved from (-)Rs. 2.43 crore as on March 31, 2017 to (-)Rs. 1.92 crore as on March 31 2018 due to accretion of profits. The interest coverage ratio of the company stood moderate at 2.64x in FY18 as against 1.50x in FY17. However, the total debt to GCA ratio stood weak at 10.35x for FY18 as against 7.29x for FY17.

Raw material price fluctuation risk associated with orders due to absence of price escalation clause

G3S is exposed to the inherent risk associated with raw material price fluctuation in execution of various orders due to absence of price escalation clause in majority of the contracts. Thus, any adverse change in the prices of the raw material may affect the profitability margins of the company.

Fragmented nature of the construction sector albeit improving growth prospects

The construction sector in India is highly fragmented with a large number of small and mid-sized players. This coupled with tendering process in order procurement results into intense competition within the industry. Despite these road blocks faced by the industry, the sector is expected to grow, given huge economic significance associated with it and rising investor interest. Also, the outlook for Indian construction sector continues to be stable in the medium to long-term on account of increased thrust of Government on development of infrastructure to support economic growth.

Key Rating Strengths

Experienced promoters in the construction industry

Mr. Gulzar Singh and Mr. Surinder Singh have three decades and two and a half decades of experience, respectively, in construction industry gained through their association with G3S and G.S Builders and Engineers. Whereas, Mrs. Harjit Kaur

[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*

and Mrs. Kusum Lata have 4 years of experience, each in the construction industry gained through their alliance with G3S only.

Adequate order book

The company has a comfortable order book position with outstanding order book of Rs. 219.08 crore as on September 11, 2018, to be executed by FY20.

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies
CARE's policy on default recognition

Stretched liquidity position

The operating cycle of the firm stood elongated at ~181 days, as on March 31, 2018(Prov.). The current ratio and quick ratio stood at weak level of 0.95x and 0.76x as on March 31, 2018(Prov.), as the firm has to maintain sufficient inventory of vehicles and spares. The cash & bank balance stood at a low level of Rs.0.06 cr., as on March 31, 2018(Prov.). Further, CARE does not have adequate information to comment on the capex plans and debt repayment obligation of the company for FY20, since the review has been done on the basis of limited information.

About the Company

G3S Builders Private Limited (G3S) was incorporated in 2013 as a private limited company by Mr. Gulzar Singh and his family members. G3S is engaged in civil construction work for private players in Punjab, Uttarakhand and Haryana which includes infrastructure development, construction of hospitals, educational institutes, residential projects etc. The orders undertaken by the company are secured through the competitive bidding process. The company also executes sub contracts for other civil contractor players.

Brief Financials (Rs. crore)	FY17(A)	FY18(Prov.)
Total operating income	31.58	36.81
PBILDT	2.76	4.46
PAT	-0.46	0.46
Overall gearing (times)	-5.76	-9.49
Interest coverage (times)	1.50	2.64

A: Audited, Prov.=Provisional

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History (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-Bank Overdraft	-	-	-	12.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Bank Overdraft	LT	12.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; Stable (17-Sep-18)	1)CARE B-; Stable (14-Mar-18)	-

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

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

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:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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