

## G3S Builders Private Limited

August 26, 2020

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	12.00	<b>CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook; Stable; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Revised from CARE B; Stable; Issuer not Cooperating ( Single B; Outlook; Stable; Issuer not cooperating) Based on best available information
<b>Total Facilities</b>	<b>12.00 (Rupees Twelve crore only)</b>		

*Details of instruments/facilities in Annexure-1*

#### **Detailed Rationale & Key Rating Drivers**

CARE had, vide its press release dated July 02, 2019, placed the rating of G3S Builders Private Limited under the 'issuer non-cooperating' category as G3S Builders Private Limited had failed to provide information for monitoring of the rating. G3S continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated August 18,2020, August 17, 2020, August 14, 2020 and August 13, 2020. 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.

***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**

The rating has been revised on account of small scale of operations with low PAT margin, weak overall solvency position, elongated operating cycle and raw material price fluctuation risk associated with orders due to absence of price escalation clause and fragmented nature of the construction sector. The rating, however, derive strength from experienced promoters in the construction industry.

#### **Key Rating Weaknesses**

##### ***Small scale of operations with low PAT margin***

The total operating income of the company declined from Rs. 35.32 crore in FY18 to Rs. 14.08 crore in FY19. The PAT margin of the company stood low at 1.51% in FY19 (PY: 0.29%).

##### ***Weak overall solvency position with elongated operating cycle***

The capital structure stood leveraged, on March 31, 2019. Furthermore, the total debt to GCA also stood weak at 23.57x as on March 31, 2019 (PY:12.74) and interest coverage ratio of 1.45x in FY19. The operating cycle stood elongated at 724 days, as on March 31, 2019 (PY: 191 days).

##### ***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

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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

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

**Analytical approach:** Standalone

#### **Applicable Criteria:**

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

[Criteria on assigning Rating Outlook and Credit Watch](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology –manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

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

#### **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.

<b>Brief Financials (Rs. crore)</b>	<b>FY18(A)</b>	<b>FY19(A)</b>
Total operating income	35.32	14.08
PBILDT	4.46	2.60
PAT	0.10	0.21
Overall gearing (times)	-10.59	-16.46
Interest coverage (times)	2.64	1.45

A: Audited

**Status of non-cooperation with previous CRA:** CRISIL has conducted the review on the basis of best available information and classified G3S Builders Private Limited as “Not Co-operating” vide its press release dated June 14, 2019.

**Any other information:** Not Applicable

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

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

<b>Name of the Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. crore)</b>	<b>Rating assigned along with Rating Outlook</b>
Fund-based - LT-Bank Overdraft	-	-	-	12.00	CARE C; Stable; 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-Bank Overdraft	LT	12.00	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (02-Jul-19)	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

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**