

Generic Engineering Construction and Projects Limited

November 13, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	18.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Long-term/Short-term Bank Facilities	24.00	CARE BBB-; Stable/CARE A3 (Triple B Minus; Outlook: Stable/A Three)	Assigned
Total Facilities	42.00 (Rupees Forty Two crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Generic Engineering Construction and Projects Limited (Generic) derive strength from the company's long track record of over five decades of operations in construction activities with healthy execution track record coupled with reputed clientele, highly experienced promoters with over two decades of experience in construction activities, healthy order book position, fluctuating albeit moderate profitability and comfortable capital structure & moderate debt coverage indicators.

The ratings, however, are constrained by relatively modest scale of operations with fluctuations over last 3 years ended FY17 (refers to the period April 1 to March 31), susceptibility of margins to volatile raw material prices, working capital intensive nature of operations and presence in competitive & cyclical construction industry.

The ability of the company to increase the scale of operations with timely execution of orders on hand and further strengthening the order book and improve profit margins amidst competitive scenario and maintain the capital structure and the liquidity position by efficiently managing the working capital requirement are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record of over five decades of operations in construction activities with healthy order execution track record coupled with 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 with over two decades of experience in construction activities: Generic group was founded in 1967 by Mr. Ravilal Patel, whereas Generic Engineering and Construction Private Limited (GECPL) was 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 24 years, 12 years and 27 years respectively. Currently, Generic is managed by Mr. Manish Patel and Mr. TarakGor who is associated with the Generic group since 2012.

Healthy order book position: Generic possesses a healthy order book position of 25 open orders in hand worth Rs.248 crore (pending execution value) as on November 7, 2017, which are expected to be executed by FY20.

Comfortable capital structure and moderate debt coverage indicators: The capital structure of Generic stood comfortable with the overall gearing of below unity, given the majority reliance on own funds. Given this coupled with moderate profitability, the debt coverage indicators stood moderate.

Fluctuating albeit moderate profit margins: The PBILDT margin of Generic stood moderate in the range of 9-12% over FY14-FY17. Moreover, the same has been fluctuating over the same period owing to fluctuating material & labour costs as per the changing requirement on contract-to-contract basis, which may require different level of material

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

&labourdeployments. Moreover, the aforementioned fluctuations in the profit margins are also susceptible to fluctuating material costs viz. cement, steel, etc. and fluctuating labour costs.

Key Rating Weaknesses

Relatively modest scale of operations with fluctuations over last 3 years: The scale of operations of Generic stood relatively modest with the total operating income in the range of Rs.40-65 crore over FY14-FY17. Moreover, the same has been fluctuating over the same period owing to shifting focus of the company between residential, industrial and commercial projects. Given this, the tangible net-worth base also stood relatively modest, thereby limiting the financial flexibility of the company to that extent.

Working capital intensive nature of operations: The operations of Generic are working capital intensive in nature with majority of funds for over 80-140 days blocked in inventory, and a moderate portion for over 40-70 days in debtors. However, led by higher suppliers' credit in the range of 90-140 days, the operating cycle stood moderate in the range of 30-60 days over FY14-FY17.

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. Moreover, the prospects are also linked to the cyclical nature in the real estate industry.

Analytical approach: Combined

CARE has combined financials of Generic with GECPL for representation purpose and to arrive at credit decision as GECPL has sold its construction business to Generic.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Methodology for Short-term Instruments](#)

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

[CARE's Methodology for Infrastructure Sector](#)

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

About the Company

Generic was originally incorporated in the year 1994 under the name of Welplace Portfolio & Financial Consultancy Services Limited (Welplace) which was taken over by GECPL in November 2016 and later renamed to Generic in FY17, wherein the construction business of GECPL got transferred to Generic. 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 is currently managed by Mr. Manish Patel (son of Mr. Ravilal Patel) and his family along with Mr. TarakGor, 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. Welplace acquired the business of GECPL (including goodwill worth Rs.19.19 crore, arrived at after deducting the net assets value of GECPL from the total consideration amount) for a total consideration of Rs.31.05 crore of equity share capital (including premium of Rs.27 per share) issued by Welplace and subscribed by GECPL. Generic is trading on BSE, at Rs.143.35 per share with a free float market capitalization of Rs.220.40 crore.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	45.39	65.27
PBILDT	5.82	6.33
PAT	1.88	2.49
Overall gearing (times)	1.36	0.53
Interest coverage (times)	2.92	2.74

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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.

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 BBB-; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	24.00	CARE BBB-; Stable / 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	18.00	CARE BBB-; Stable	-	-	-	-
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	24.00	CARE BBB-; Stable / CARE A3	-	-	-	-

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