

RATING RATIONALE

**GAANESH KARTIKEY CONSTRUCTION PRIVATE LIMITED
(Formerly Known as P.K. Verma & Co.)**

Brickwork Ratings reaffirmed long term ratings & short term ratings for the Bank Loan Facilities of ₹ 16.50 Crores of Gaanesh Kartikey Construction Private Limited.

Particulars :

Facility/ Instrument**	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (May, 2020)	Present Rating
Fund Based O.D. Limit	2.50	2.50	Long Term	BWR BB Stable Reaffirmed Issuer Not Cooperating	BWR BB Stable Reaffirmed
Non Fund Based Bank Guarantee Limit Proposed Bank Guarantee	14.00 13.50	14.00	Short Term	BWR A4 Reaffirmed Issuer Not Cooperating	BWR A4 Reaffirmed
Total	30.00	16.50	INR Sixteen Crores Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/is provided in Annexure-1

RATING ACTION/OUTLOOK

BWR has reaffirmed the long term rating of BWR BB Stable and short term rating of BWR A4 for bank facilities of Gaanesh Kartikey Construction Private Limited.

The ratings take into account the extensive experience of the promoter, and moderate financial risk profile. However the rating is constrained by low current ratio marked with negative conversion cycle, risk related to tender based business and execution risk related to projects.

BWR believes that the business risk profile of Gaanesh Kartikey Construction Private Limited will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to Positive if there is a significant improvement in company revenues, net worth and conversion cycle. The rating outlook may be revised to 'Negative' if there is any further deterioration in the financial risk profile of the company.



KEY RATING DRIVERS

Credit Strengths:

1. **Extensive Experience of the Promoters:** The promoters of the company have rich experience of more than 30 years in the construction business that helps them to maintain a better relationship with their customers and suppliers as well. The company also has a long track record of more than 30 years in the market.
2. **Moderate Financial Risk Profile :** The company has moderate financial risk profile with revenues of Rs 83.92 crores in FY19 (Audited) that has further improved to Rs 118.69 crores in FY20 (Provisional) gearing level stood low with TD/TNW of 0.96 Times in FY19 (Audited) & further it has improved to 0.33 Times in FY20 (Provisional) , Debt Service Indicators with Interest Service Coverage Ratio of 5.91 Times & Debt Service Coverage Ratio of 3.55 Times, along with moderate net profit margins of 2.95% and Operating Profit Margins of 8.33% in FY19 (Audited).

Credit Risks:

1. **Low current ratio marked with Negative Conversion cycle:** The company has low current ratio of 1.07 Times in FY19 (Audited) that has further improved to 1.17 Times in FY20 (Provisional) due to high payables. The company has a negative conversion cycle of 172 days in FY19 (Audited) due to high days payables.
2. **Risk related to tender based business:** The company is exposed to tender based risk as company bids in auction from Govt departments.

Analytical Approach and Applicable Rating Criteria

For arriving at its ratings, BWR has considered the standalone approach for the Company. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, improvement in revenues, net worth and elongated conversion cycle will be the key rating sensitivities.

Positive : The rating will be upgraded if the company is able to make significant improvement in their revenues, net worth and elongated conversion cycle.

Negative : The rating will be downgraded if there is any deterioration in the financial risk profile of the company.

LIQUIDITY POSITION : Adequate

The company has no associate concerns or subsidiary concerns. The company has cash & bank balances of Rs 2.17 crores in FY19 (Audited). The company has an average utilisation of 17% of their O.D. Limits from the last six months. The company has a long term debt of Rs 3.06



crores as at FY19 (Audited) which comprises unsecured loans from directors of Rs 1.01 crores car loans of Rs 1.27 crores and term loan of Rs 0.78 crores in FY19 (Audited). The cash flow statement is not submitted. The company has Interest Service Coverage Ratio of 5.91 Times and Debt Service Coverage Ratio of 3.55 Times in FY19 (Audited). The current ratio has been 1.07 Times as at FY19 (Audited). The company has a negative conversion cycle of 172 days in FY19 (Audited).

About the Company

M/s P.K Verma & Company Amritsar, has been taken over by m/s GaaneshKartikey Construction Private Limited in April 2018. The company is engaged in Civil construction works like Road development & maintenance, bridges works for the Departments including Punjab PWD(B&R), Punjab Mandi Board, Improvement Trust, Municipal Corporation. The company gets contracts through a tender bidding process. The company is currently managed by Mr Pawan Kumar Verma, Mrs Surbhi Verma and Mr Poorash Gaanesh Verma.

Key Financial Indicators

Key Parameters	Units	FY18 (Audited)	FY19 (Audited)
Result Type			
Operating Revenue	₹ Cr	101.96	83.92
EBITDA	₹ Cr	5.35	6.99
PAT	₹ Cr	3.26	2.48
Tangible Net worth	₹ Cr	4.40	6.90
TD:TNW	Times	1.47	0.96
Current Ratio	Times	0.94	1.07

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : NA

Rating History for the last three years (Including Withdrawal and Suspended)

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Current Rating	2019	2018	2017
1.	Fund Based O.D.Limit	Long Term	2.50	<u>27.11.2020</u> BWR BB Stable Reaffirmed <u>26.05.2020</u> BWR BB Stable Reaffirmed Issuer Not Cooperating	BWR BB Stable Reaffirmed	BWR BB Stable Reaffirmed Issuer Not Cooperating	BWR BB Stable Upgrade
2.	Non Fund Based Bank Guarantee Limit	Short Term	14.00	<u>27.11.2020</u> BWR A4 Reaffirmed <u>26.05.2020</u> BWR A4 Reaffirmed Issuer Not Cooperating	BWR A4 Reaffirmed	BWR A4 Reaffirmed Issuer Not Cooperating	BWR A4 Reaffirmed
	Total		16.50	Sixteen Crores Fifty Lakhs ₹ Only			

* Initially BWR had rated bank loan facilities of Gaanesh Kartikey Construction Private Limited (Formerly Known as PK Verma & Co) in 29.03.2016 and assigned long term rating of BWR BB- Stable and short term rating of BWR A4.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

General Criteria

Approach to Financial Ratios

Manufacturing Companies

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GAANESH KARTIKEY CONSTRUCTION PRIVATE LIMITED

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	<u>Fund Based</u> O.D Limit	2.50	16.50
		<u>Non Fund Based</u> Bank Guarantee	14.00	
TOTAL : INR SIXTEEN CRORES FIFTY LAKHS ONLY				16.50



For print and digital media

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