

Rating Rationale

Goutam Construction (GC)

10 Dec 2018

Brickwork Ratings assigns the long term rating for the Bank Loan Facilities of Rs.6.50 Crs of Goutam Construction (GC).

Particulars

Facility Rated	Amount (Rs. Cr)	Tenure	Rating*
Fund Based: Cash Credit	4.50	Long Term	BWR B+ (Pronounced as BWR single B Plus) Outlook: Stable
Non-Fund Based: Bank Guarantee	2.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	6.50	INR Six Crores and Fifty Lakhs Only	

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

Rating: Long Term and Short Term Rating Assigned

Brickwork Ratings assigned the long term rating of 'BWR B+' with "Outlook:Stable" and short term rating of 'BWR A4 'to the bank loan facilities aggregating Rs.6.50 Crores of Goutam Construction.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has inter alia, factored Promoter's extensive experience of over decade in Civil construction business, government clientele and healthy order book position. However, the rating is constrained by modest scale of operations, stiff competition due to low entry barriers, geographic & customer concentration risk, tender based nature of sourcing business and proprietorship constitution. Going forward, ability of the firm to scale up its operations, to improve its profit margins and to maintain its gearing in an intensely competitive industry will remain the key rating sensitivities.

Rating Outlook: Stable

BWR believes that the business risk profile of Goutam Construction 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' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



Analytical Approach :

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

Key Rating Drivers:

Credit Strengths:

- **Experienced management:** The promoter of the firm Mr. Goutam Ojha has more than a decade of experience in Civil & Road construction. The Firm has been in existence since 2006 and has seen complete business cycles.
- **Reputed & Government Clientele:** The firm has established healthy relationship with various government departments of Jharkhand & Bihar. Key clients include PWD Jharkhand, RWD Jharkhand, Indian Railway, Jharkhand State Rural Road Development Authority etc.

Credit Weaknesses :

- **Moderate scale of operations:** Though the firm was established in 2006, its scale of operations remained moderate with total operating income of Rs.20.29 crore in FY18.
- **Low Entry Barriers :** Entry barriers in Civil and Infrastructure industry are low on account of limited capital and technology requirements and the firm faces stiff competition from both organized and unorganized players in the industry.
- **Geographic & customer concentration risk:** The order-book of the firm is concentrated with work orders from the state of Jharkhand & Bihar.
- **Limitations of Proprietorship Concern :** Limitations of proprietorship concern are largely due to finances & decision making and also exposed to risk of withdrawal of capital by the proprietor.

About the Firm:

Goutam Construction (GC) is a Jharkhand based proprietorship concern promoted by Mr. Goutam Ojha in 2006. The Firm is engaged in providing civil construction/infrastructure services in the state of Jharkhand & Bihar. The firm is Class I contractor for PWD Jharkhand and majorly into construction of Bridge & Roads for Indian Railways.

Firm's Financial Performance:

The Firm has registered total operating income of Rs.20.29 Cr in FY18 with a PAT of Rs.1.31 crore as against Rs.9.97 Crs and Rs.0.62 Crs in FY17 respectively. The Tangible net worth of the firm stood at Rs.1.85 Cr as on 31st March, 2018 compared to Rs.1.33 Crs as on 31st March, 2017.

Parameters	31-Mar-2016	31-Mar-2017	31-Mar-2018
	(Audited)	(Audited)	(Audited)
Total Operating Income (Rs. Crores)	11.43	9.97	20.29
EBITDA (Rs. Crores)	0.72	0.73	1.57
PAT (Rs. Crores)	0.71	0.62	1.31
Tangible Net Worth (TNW) (Rs. Crores)	1.15	1.33	1.85
Total Debt : TNW (Times)	0.60	2.15	3.96
Current Ratio (Times)	0.64	0.73	0.86

Rating History for the last three years: (including withdrawn/suspended ratings)

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Sl. No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Cash Credit	Long Term	4.50	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	Nil	Nil	Nil
2	Bank Guarantee	Short Term	2.00	BWR A4 (Pronounced as BWR A Four)			
Total			6.50	INR Six Crores and Fifty Lakhs Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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