

December 31, 2024

Gina Engineering Company Pvt Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	45.00	45.00	[ICRA]BBB (Stable); reaffirmed
Long-term/Short-term – Non-fund-based limits	130.00	130.00	[ICRA]BBB (Stable)/ [ICRA]A3+; reaffirmed
Total	175.00	175.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in Gina Engineering Company Private Limited's (GECPL) adequate outstanding order book position of Rs. 516.0 crore as on November 30, 2024 (order book to operating revenue [FY2024] ratio of [OB/OI] of 1.42 times), which provides near-term revenue visibility. The company reported significant increase in scale of operation in FY2024 (YoY growth of 92% and CAGR of 16% during FY2018 – FY2024). It is projected to report growth of ~15%-20% in FY2025, given the adequate outstanding order book position. Its order book recorded a CAGR of 22% over the last five years ending FY2024, with fresh order inflows worth ~Rs. 830 crore added over the last 20 months ending November 30, 2024. The ratings derive comfort from the extensive experience of GECPL's promoters spanning over five decades in the industrial/institutional building segment, which has helped to establish strong relationships with its customers as well as suppliers.

The ratings are, however, constrained by the leveraged capital structure and expected moderation in coverage metrics in the near term, given the recent debt-funded capex to support its increasing scale of operations. Further, the entity has started developing a real estate project, part of which will be funded through debt. Increase in debt levels coupled with sizeable payables and mobilisation advances from customers resulted in high TOL/TNW of 2.0 times as on March 31, 2024 (FY2023: 1.4 times). The same is expected to remain elevated in the near term. With rise in debt levels in FY2024 and likely increase in FY2025 due to the ongoing debt-funded real estate project, the coverage metrics are anticipated to moderate in the medium term. Nonetheless, it will remain at adequate levels. The real estate project remains vulnerable to delays in completion leading to cost overrun. GECPL's ability to complete the project within the budgeted cost and post timely sales and collection remain important from the credit perspective. The ratings are also constrained by the high sectoral and geographical concentration risks with its entire order book dominated by the building segment and 88% of the outstanding order book as on November 30, 2024, from Karnataka. GECPL remains vulnerable to risks associated with the cyclicity in private sector capex in Karnataka, given that 100% of its clients are from the private sector. Nevertheless, its satisfactory track record of receiving orders from the industrial building segment clients located in Karnataka provides comfort. The company also faces sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation advances and retention money. Nonetheless, ICRA draws comfort from its execution track record and absence of any invocation of guarantees in the past.

The Stable outlook on GECPL's rating reflects ICRA's opinion that the company will be able to post growth in revenues, driven by healthy order book position and proven execution ability, along with track record of timely receipt of payments from its customers.

Key rating drivers and their description

Credit strengths

Adequate order book position provides near-term revenue visibility – GECPL has an adequate outstanding order book position of Rs. 516.0 crore as on November 30, 2024 (order book to operating revenue [FY2024] ratio of [OB/OI] of 1.42 times), which provides near-term revenue visibility. The company's order book recorded a CAGR of 22% over the last five years ending FY2024, with fresh order inflows worth ~Rs. 830 crore added over the last 20 months ending November 30, 2024. GECPL's scale of operation increased significantly in FY2024 (YoY growth of 92% and CAGR of 16% during FY2018 – FY2024). It is projected to report annual growth of ~15%-20% in FY2025 on account of the adequate outstanding order book position.

Extensive experience of promoters in industrial building construction – GECPL was established in 1964 and was incorporated as a private limited company in 1988. The promoters have more than five decades of experience in the construction business with expertise in constructing industrial and institutional building. This has helped it to establish strong relationships with its customers as well as suppliers.

Credit challenges

Leveraged capital structure and expected moderation in coverage metrics; exposure to market risk due to non-core investment – In FY2024, company has completed debt-funded capex of Rs. 15 crore to support its increasing scale of operations. Further, it has started developing a real estate project¹, part of which will be funded through debt. The increase in debt levels, coupled with sizeable payables and mobilisation advances from customers, resulted in a high TOL/TNW of 2.0 times as on March 31, 2024 (FY2023: 1.4 times). The same is expected to remain elevated in the near term. With rise in debt levels in FY2024 and likely increase in FY2025 due to the ongoing debt-funded real estate project, the coverage metrics are anticipated to moderate in the medium term. However, it will remain at adequate levels. The real estate project remains vulnerable to delays in completion leading to cost overrun. GECPL's ability to complete the project within the budgeted cost and post timely sales and collection remain important from the credit perspective.

High segmental and geographical concentration risks; intense competition could exert pressure on profitability – The company faces high segment and geographical concentration risks with its entire order book from the building segment and 88% of the outstanding order book from Karnataka. While it has a successful track record of securing contracts from its clients in different end-user industries, GECPL remains vulnerable to risks associated with the cyclicity in private sector capex in Karnataka, given that 100% of its clients are from the private sector. The construction industry is highly competitive and fragmented with the presence of numerous small as well as large players, impacting the pricing flexibility and profitability of players like GECPL. Although there remains a trajectory of improvement in operating margins owing to operating leverage benefits, the same remains moderate. Going forward, its ability to improve its margins remains a key rating monitorable.

Liquidity position: Adequate

The company's liquidity position remains adequate, characterised by a cushion of ~Rs. 11 crore in working capital limits and ~Rs. 33 crore of free cash and equivalents as on November 30, 2024. The average fund-based utilisation stood at 78% of the sanctioned limits during the last 12 months ending November 2024. GECPL's principal repayment obligations of ~Rs. 2.3 crore in FY2025 (December 2024 – March 2025), can be comfortably met from its cash flow from operations and the existing cash balances.

¹ GECPL is developing a real estate project called Gina Artize in Bangalore. It is to be constructed at a total construction cost of Rs. 45 crore, funded by term debt of Rs. 25 crore and the balance Rs. 20 crore through customer advances and internal accruals. As on March 31, 2024, it completed construction worth ~Rs. 15 crore, funded through a debt of ~Rs. 8.5 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company witnesses a significant increase in its scale of operations while improving its profitability margins leading to improved debt protection metrics and liquidity position on a sustained basis.

Negative factors – Pressure on GECPL's ratings could arise if there is a material decline in revenues or profitability margins, or any stretch in its working capital cycle or investment in non-core business adversely impacting the company's liquidity or debt protection metrics. Specific credit metrics for a rating downgrade include interest coverage falling below 3.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Gina Engineering Company was established in 1964 as a partnership firm and was incorporated as a private limited company under the name Gina Engineering Company Private Limited (GECPL) in 1988. The company was founded by Mr. T J Thomas, its Chairman, and has been in operation for more than three decades. GECPL is involved in construction of hotels, industrial buildings and factories, commercial and institutional buildings and residential complexes. It also takes up building construction works on a turnkey basis, which includes electrical works, public health engineering and site development works.

Key financial indicators (audited)

GECPL Standalone	FY2023	FY2024
Operating income	190.9	366.4
PAT	8.3	14.2
OPBDIT/OI	6.5%	6.8%
PAT/OI	4.4%	3.9%
Total outside liabilities/Tangible net worth (times)	1.4	2.0
Total debt/OPBDIT (times)	2.7	2.6
Interest coverage (times)	3.9	5.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)			Chronology of rating history for the past 3 years				
	Type	Amount rated (Rs. crore)	Dec 31, 2024	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022
					Sept 25, 2023	Feb 21, 2023	Feb 10, 2023	
1 Fund-based – Cash credit	Long term	45.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB- (Positive)	[ICRA]BBB- (Positive)	[ICRA]BBB- (Stable); ISSUER NOT COOPERATING	[ICRA]BBB- (Stable)
3 Non-fund based limits	Long term and short term	130.00	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-	-
4 Non-fund based limits	Short term	-	-	-	[ICRA]A3	[ICRA]A3	[ICRA]A3 (Stable); ISSUER NOT COOPERATING	[ICRA]A3
5 Unallocated limits	Short Term	-	-	-	[ICRA]A3	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term/Short-term – Non-fund based limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Cash credit	NA	NA	NA	45.00	[ICRA]BBB (Stable)
NA	Non-fund based limits	NA	NA	NA	130.00	[ICRA]BBB (Stable)/ [ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Ashish Modani

+91 22 6169 3300

ashish.modani@icraindia.com

Suprio Banerjee

+91 22 6114 3443

suoriob@icraindia.com

Rohit Agarwal

+91 22 6169 3329

rohit.agarwal@icraindia.com

Ritik Sundarka

+91 80 4332 6414

ritik.sundarka@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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