

Press Release

Shreeji Blocks Private Limited (SBPL)

02 February, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs.9.66 Cr
Long Term Rating	SMERA B/Stable (Upgraded from SMERA D)

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long term rating on the Rs.9.66 crore bank facilities of Shreeji Blocks Private Limited (SBPL) to '**SMERA B**' (read as SMERA B) from '**SMERA D**' (read as SMERA D). The outlook is '**Stable**'.

The upgrade is in view of the curing of default by the company and absence of delay in the repayment of interest and principal on the term loan for the last six months ended December 2017.

SBPL, incorporated in 2013 is a Nagpur-based company promoted by Mr. Lalit Patel, Mr. Chandrakant Bhadani, Mr. Mahesh Patel and others. The company is engaged in the manufacturing of autoclaved aerated concrete (AAC) blocks and has installed capacity of 200 cubic meters per day (ie. 6000 cubic meters per annum). The manufacturing facility is located at Nagpur, Maharashtra.

List of key rating drivers and their detailed description

Strengths:

Curing of default

SBPL has cured the default and debt servicing is on time. There are no delays in the repayment of interest and principal with regard to term loan for the last sixmonths ended December 2017.

Growing scale of operations

SBPL commenced operations in 2016 and reported operating income of Rs.5.09 crore in FY2017 as against Rs.1.90 crore in FY2016. Further, the company has already booked revenue of ~Rs.7.00 crore from April, 2017 to December, 2017 (Provisional). The profitability margins have improved during the period. SBPL registered PAT of Rs.0.24 crore in FY2017 as against net loss of Rs. 0.12 crore in FY2016.

Weaknesses

Limited track record of operations

The company was incorporated in 2013 and commenced operations from 20 August, 2015.

Below average financial risk profile

The financial risk profile has remained below average marked by net worth of Rs.5.44 crore as on 31 March, 2017 as against Rs. 4.99 crore as on 31 March, 2016. The gearing declined to 1.42 times as on 31 March, 2017 as against 1.73 times as on 31 March, 2016. The total debt outstanding as on 31 March, 2017 of Rs.7.71 crore comprises Rs.6.75 crore of term loans and Rs. 0.96 crore of working capital limit from the bank. The Interest Coverage Ratio is comfortable at 1.86 times in FY2017 as against 1.43 times in FY2016. The DSCR stood at 0.97 times in FY2017 as against 1.43 times in FY2016.

The net cash accruals improved during the period to Rs. 0.94 crore in FY2017 from Rs. 0.31 crore in FY2016.

Susceptible to the cyclical nature of the end user industry – Real estate

SBPL's profitability is susceptible to the cyclical nature of the end user industry - real estate.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SBPL to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Outlook - Stable

SMERA believes that SBPL will maintain a Stable outlook and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the company scales up operations while improving its profitability and maintains a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profit margins, or deterioration in the capital structure. Any larger than expected debt-funded capex undertaken by the company may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	5.09	1.90	-
EBITDA	Rs. Cr.	2.14	1.04	-
PAT	Rs. Cr.	0.24	(0.12)	-
EBITDA Margin	(%)	42.09	54.78	-
PAT Margin	(%)	4.74	(6.22)	-
ROCE	(%)	10.78	8.97	-
Total Debt/Tangible Net Worth	Times	1.42	1.73	-
PBDIT/Interest	Times	1.86	1.43	-
Total Debt/PBDIT	Times	3.60	8.27	-
Gross Current Assets (Days)	Days	196	412	-

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
13-Jun, 2017	Cash Credit	Long Term	1.50 (Enhanced from Rs. 1.00 Cr.)	SMERA D (Downgraded from SMERA B/Stable)
	Term loan	Long Term	8.16	SMERA D (Downgraded from SMERA B/Stable)
13-Feb, 2016	Cash Credit	Long Term	1.00	SMERA B/Stable (Assigned)
	Term loan	Long Term	8.16	SMERA B/Stable (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B/Stable (Upgraded from SMERA D)
Term loan	Not Applicable	Not Applicable	Not Applicable	8.16	SMERA B/Stable (Upgraded from SMERA D)

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ABOUT SMERA

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