

Press Release

Shreeji Interiors (SI)

16 March, 2018



Rating Downgraded

Total Bank Facilities Rated	Rs 20.00 crore
Long Term Rating	SMERA B+/ Stable (Downgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4 (Downgraded from SMERA A4+)

Rating Rationale

SMERA has downgraded the long term rating to '**SMERA B+** (read as SMERA B plus) from '**SMERA BB-** (read as SMERA double B minus) and downgraded the short term rating to '**SMERA A4**' (read as A four) from '**SMERA A4+**' (read as SMERA A four plus) to the above mentioned bank facilities of Rs.10.96 crore. The outlook is '**Stable**'.

The downgrade is in view of the significant volatility in the revenue streams coupled with stretched liquidity profile of the firm. SI's revenue for FY17 is Rs.4.56 Crore as against Rs.18.60 Crore in FY16. The decline was on account challenges faced by SI in recovery of funds from one of its prominent client. In the current fiscal, the revenues have improved to Rs.16.67 Crore till February 2018. The rating takes into account extensive experience of the proprietor, reputed client base, highly geared capital structure & significant volatility in revenue streams.

About the company

Shreeji Interiors (SI), proprietary concern, was established in the year 1991 by Pipaliya family in Bengaluru. At present, the day to day operations of the company are managed by Mr. Rahul Pipaliya. SI is engaged in execution of turnkey projects related Civil and Interior works. The firm has successfully executed design in terms of furnishing, civil, false ceiling, flooring, carpentry, electrical, plumbing, air - conditioning, painting, and most other work related to development of classy global interiors.

List of key rating drivers and their detailed description

Strengths

Experienced Management & long track record of operations

The proprietor, Mr. Rahul Pipaliya is engaged in execution of infrastructure and interiors projects since last two decades. The firm has covered infrastructure works & interiors & turnkey projects for residential bungalows, commercial complex, airports, hospitals, etc. Being into similar line of business since past two decades the promoters have gained good insight about the industry and has developed healthy relations with customers and suppliers.

Reputed customer base

The firm has healthy relations with reputed customers. The customer base involves individuals, private commercial houses as well as semi-government organizations. SI has catered to reputed companies including Accenture, iGate, General Electric, Volvo, Hotel Shelton Grand, Hotel Royal Orchid, Citi Bank, British Library, Bangalore International Airport, amongst others.

Weaknesses

Significant Volatility in revenue streams

The operations of SI are considered to be modest level despite of the fact that they are in operations for more than two decades. SI has reported revenue of Rs.4.56 crore in FY17 as compared to Rs.18.60 crore. The decline in revenues was on account of various factors like challenges faced by SI in recovery of funds from one of its prominent client & impact of demonetization to a certain extent. However, SI has a healthy order book position of Rs.34.84 Crores executable in upcoming two financial years. SI has already booked revenue of Rs.16.67 Crore till February, 2018. The order book comprises orders from reputed clients and also reflects the firm's ability to scale up gradually and revenue visibility for near to medium term.

Working capital intensive operations

The firms operations are working capital intensive in nature as reflected by the high Gross Current Asset days (GCA) of 662 for FY17 as compared to 230 days in FY16. The sudden jump in GCA days was on account of the challenges faced by SI to recover funds from one of its prominent clients on time. This led to a huge increase in debtor days & inventory days. However, the funds are expected to be recovered and thus an improvement in the overall working capital cycle is foreseen. The cash credit limit utilisation is around 100% for the last six months signifying stretched liquidity position. Also, there is limited cushion available to absorb any spike in the working capital requirements.

Highly geared capital structure

SPPL's financial risk profile is marked by low net worth of Rs.2.92 crore as on 31st March 2017. Gearing stood high at 5.06 times as on 31st March 2017. Interest coverage stands at 1.62 times in FY17 compared to 2.76 times in FY16.

Outlook

SMERA believes that SI would benefit from its promoters extensive experience. The outlook may be revised to 'Positive' in case the company improves its capital structure while registering growth in revenue, improvement in profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's profitability and increased revenue growth or in case of any further deterioration in the company's financial risk profile.

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-May-2017	Cash Credit	Long Term	5.50	SMERA BB- Issuer not co-operating*
	Term Loan	Long Term	0.86	SMERA BB- Issuer not co-operating*
	Letter of Credit	Short Term	1.10	SMERA A4+ Issuer not co-operating*
	Bank Guarantee	Short Term	3.50	SMERA A4+ Issuer not co-operating*
03-March-2016	Cash Credit	Long Term	5.50	SMERA BB-/ Stable (Assigned)
	Term Loan	Long Term	0.86	SMERA BB-/ Stable (Assigned)
	Letter of Credit	Short Term	1.10	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	3.50	SMERA A4+ (Assigned)

*The issuer did not co-operate; Based on best available information.

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	NA	NA	NA	5.00	SMERA B+/ Stable (Downgraded from SMERA BB-/Stable)
Bank Guarantee	NA	NA	NA	2.25	SMERA B+/ Stable (Downgraded from SMERA BB-/Stable)
Letter of credit	NA	NA	NA	1.10	SMERA A4 (Downgraded from SMERA A4+)
Proposed Long Term Facility	NA	NA	NA	2.61	SMERA B+/ Stable (Assigned)

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