

Press Release

SURYSHREE BLOCKS PRIVATE LIMITED (SBPL)

23 October, 2017



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 19.33 crore
Long Term Rating	SMERA B+ / Stable (Reaffirmed)

* Refer Annexure for details

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the above mentioned bank facilities of Suryshree Blocks Private Limited (SBPL). The outlook is '**Stable**'.

SBPL (earlier known as Suryshree Wellness Private Limited), incorporated in 2011, is an Ahmedabad-based company promoted by Mr. Adesh K. Patel and Mrs. Kruti A. Patel. The company is engaged in the manufacturing of autoclaved aerated concrete and sand based blocks under the brand name 'Suryshree Blocks' in Chiyada, Gujarat. The installed capacity stands at 150,000 cubic metres (CBM). The company also manufactures wall and roof panels.

List of key rating drivers and their detailed description:

Strengths

Improvement in revenue: SBPL registered a 23.62 per cent increase in revenue at Rs.17.19 crore in FY2016-17 (provisional) as against Rs.13.90 crore in FY2015-16.

The increase is primarily on account of increase in order base. SBPL's client list includes various builders like Raj Enterprise, Rajkamal Builders Infrastructure Pvt Ltd and Manisha Construction. The firm registered revenue of Rs. 6.75 crore from April 2017 to July 2017.

Further, the company registered EBITDA of 15.47 per cent in FY2016-17 (Provisional) as against 17.28 per cent in FY2015-16.

Weaknesses

Limited track record of operations: SBPL commenced commercial operations in January 2014. However, the company is ably supported by an experienced management.

Below average financial risk profile: SBPL has below average financial risk profile marked by decline in tangible networth to Rs.5.94 crore as on 31 March, 2017 (Provisional). It was Rs.6.81 crore as on 31 March, 2016. However, the net worth of SBPL is supported by interest free unsecured loan of Rs. 9.62 crore as on 31 March, 2017 (Provisional) subordinated to bank debt. The gearing stood at 2.31 times as on 31 March, 2017 (Provisional) as against 2.26 times as on 31 March, 2016. The total debt of Rs. 11.14 crore as on 31 March, 2017 comprises term loan of Rs.7.84 crore and working capital loan of Rs. 3.30 crore.

SBPL has moderate interest coverage ratio of 1.66 times in FY2016-17 (Provisional) as against 1.19 times in FY2015-16. The company has weak debt service coverage ratio (DSCR) of 0.63 times in FY2017 as against 0.53 times in FY2016.

Working capital intensive operations: The operations are working capital intensive marked by high gross current assets (GCA) of 122 days in FY2016-17 (Provisional) as against 137 days in the previous year. The debtor and inventory holding days stood at 80 and 46 days respectively in FY2017. The operations are working capital intensive as reflected in the average bank limit utilisation as confirmed by the banker.

SMERA believes that efficient working capital management will be crucial for maintaining a stable credit profile.

Analytical approach

SMERA has considered the standalone business and financial risk profile of SBPL.

Outlook: Stable

SMERA believes that SBPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while achieving improvement in profitability and the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements and continuous losses.

About the rated entity - Key financials

For FY2015-16, SBPL reported net loss of Rs.1.80 crore on total operating income of Rs.13.90 crore as against net loss of Rs 3.28 crore on total operating income of Rs.6.48 crore in FY2014-15. The tangible net worth stood at Rs.6.81 crore as on 31 March, 2016 as against Rs.6.42 crore in the previous year. As per provisional financials for FY2016-17, SBPL reported net loss of Rs. 1.13 crore on total operating income of Rs.17.19 crore.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable criteria

- Manufacturing entities: <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Rating history (last three years):

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-May, 2016	Cash Credit	Long Term	3.50	SMERA B+ / Stable (Upgraded)
	Term Loan	Long Term	14.04	SMERA B+ / Stable (Upgraded)
	Fund based (Proposed)	Long Term	1.79	SMERA B+ / Stable (Assigned)
13-Feb-2015*	Cash Credit	Long Term	1.45	SMERA B / Stable (Upgraded)
	Term Loan	Long Term	17.88	SMERA B / Stable (Upgraded)
09-Jul-2014*	Cash Credit	Long Term	1.45	SMERA D (Downgraded from SMERA B/Stable)
	Term Loan	Long Term	19.33	SMERA D (Downgraded from SMERA B/Stable)

*Note: Rated as Suryshree Wellness Private Limited

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	3.50	SMERA B+/ Stable (Reaffirmed)
Term Loan	NA	NA	NA	8.79	SMERA B+/ Stable (Reaffirmed)
Proposed Facilities	NA	NA	NA	7.04	SMERA B+/ Stable (Reaffirmed)

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ABOUT SMERA

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