

Press Release

Suryshree Blocks Private Limited

November 29, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 19.33 Cr.
Long Term Rating	ACUITE B-/Stable (Downgraded from ACUITE B+/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE B-**' (read as **ACUITE B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 19.33 crore bank facilities of Suryshree Blocks Private Limited (SBPL). The outlook is '**Stable**'.

The rating revision is in view of decline in profitability margins leading to loss in company's reserves. The company booked Profit after Tax (PAT) loss of Rs.0.08 with negative networth of Rs.4.15 crore for FY2018. Also, the company has high debt obligation of Rs.2.77 crore against the Net Cash Accruals (NCA) of Rs.1.01 crore for FY2018.

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 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).

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

SBPL was incorporated by Mr. Adesh Patel in 2011 and has been engaged in manufacturing of autoclaved aerated concrete blocks. The promoter possesses experience of over a decade in this industry.

Acuité believes that SBPL will continue to benefit from experienced management which will help the firm to maintain long standing relations with its customers and suppliers.

Weaknesses

• Weak financial risk profile

The financial risk profile is weak marked by negative net worth of Rs. 4.15 crore on account of accumulated losses as on 31 March, 2018. The gearing stood at negative 5.89 times on 31 March, 2018 as against negative 6.93 times in the previous year. The total debt of Rs. 24.47 crore includes term loan from bank of Rs. 8.45 crore, working capital borrowings of Rs. 2.80 crore and unsecured loan of Rs. 13.22 crore. Interest Coverage Ratio (ICR) stood at 1.75 times in FY2018 as against 1.67 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at negative 7.43 times as on 31 March, 2018 as against negative 8.61 times in the previous year. The net cash accruals to total debt (NCA/TD) stood low at 0.04 times in FY2018 against 0.05 times in FY2017.

Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key rating sensitivity.

• Improving revenue with decline in profitability margins

SBPL has improving revenue trend marked by operating income of Rs. 22.72 crore in FY2018 as against Rs. 17.21 crore in FY2017 and Rs. 13.90 crore in FY2016. The firm has booked revenue of Rs. 2.50 crore for April to August, 2018.

Further, the company's operating margins have shown a declining trend of 10.23 percent in FY2018 as against 15.59 percent in FY2017 and 17.28 percent in FY2016. The firm reported Profit after Tax (PAT) margin of negative 0.37 percent in FY2018 against 0.17 percent in FY2017 and negative 12.92 percent in FY2016.

Acuite believes the company's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

Outlook: Stable

Acuite believes that SBPL's outlook will remain 'Stable' and the company will benefit over the medium term backed by its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while maintaining profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	22.72	17.21	13.90
EBITDA	Rs. Cr.	2.33	2.68	2.40
PAT	Rs. Cr.	(0.08)	0.03	(1.80)
EBITDA Margin	(%)	10.23	15.59	17.28
PAT Margin	(%)	(0.37)	0.17	(12.92)
ROCE	(%)	5.86	7.60	1.04
Total Debt/Tangible Net Worth	Times	(5.89)	(6.93)	(9.81)
PBDIT/Interest	Times	1.75	1.67	1.19
Total Debt/PBDIT	Times	10.44	8.69	10.20
Gross Current Assets (Days)	Days	116	131	137

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Oct-2017	Cash Credit	Long Term	3.50	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	8.79	ACUITE B+/Stable (Reaffirmed)
	Proposed Long Term Facility	Long Term	7.04	ACUITE B+/Stable (Reaffirmed)
28-May-2016	Cash Credit	Long Term	3.50	ACUITE B+/Stable (Upgraded)
	Term Loan	Long Term	14.04	ACUITE B+/Stable (Upgraded)

	Proposed Cash Credit	Long Term	1.79	ACUITE B+/Stable (Assigned)
13-Feb-2015	Cash Credit	Long Term	1.45	ACUITE B/Stable (Upgraded)
	Term Loan	Long Term	17.88	ACUITE B/Stable (Upgraded)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE B- /Stable (Downgraded from ACUITE B+/Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.02	ACUITE B- /Stable (Downgraded from ACUITE B+/Stable)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	8.81	ACUITE B- /Stable (Downgraded from ACUITE B+/Stable)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuute.in Grishma Muni Analyst - Rating Operations Tel: 022-49294075 grishma.muni@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuute.in

About Acuité Ratings & Research:

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