

Finecrete Eco-Blocks Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	10.00	SMERA B-/Stable (Assigned)
Term Loan	36.00	SMERA B-/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA B-**' (**read as SMERA B minus**) to the Rs.46.00 crore bank facilities of Finecrete Eco-Blocks Private Limited (FEPL). The outlook is '**Stable**'.

The rating is constrained by the below average financial risk profile and the inherent cyclical nature in the real estate sector. The rating also factors in the stretched liquidity position of the company and the limited track record of operations. However, the rating draws support from the experienced management.

FEPL manufactures autoclaved aerated concrete (AAC) blocks or fly ash bricks. The below average financial risk profile is marked by aggressive levels of gearing of 3.09 times. AAC blocks are mainly used in the construction industry and are exposed to inherent cyclical nature in the real estate sector.

Moreover, the net losses in FY2016 have resulted in negative financial indicators with net cash accruals to total debt at (0.03) times and weak interest coverage indicators of 0.61 times in FY2016 (Provisional). The stretched liquidity is marked by almost 85-90 per cent utilisation of cash credit facility and insufficient net cash accruals to meet current portion of term debt obligations. The company commenced commercial operations in June, 2015.

However, the company derives comfort from the infusion of funds by promoters in the form of unsecured loan of Rs.6.88 crore in FY2016 (Provisional). The promoters, Mr. Kishan Gopal Biyani, Mr. Samir Biyani, Mr. Dilip Sodani and Mr. Dilip Toshniwal have over four decades of experience in industries including transport, timber and construction material (ACC, marble, iron and steel).

Rating Sensitivity Factors

- Improvement in the capital structure
- Improvement in the scale of operations and profit margins

Criteria applied to arrive at the ratings:

- Manufacturing Entities

Outlook-Stable

SMERA believes that FEPL will maintain a stable outlook over the medium term owing to the promoter's extensive experience in the transport, timber and other construction materials (ACC, marble, iron and steel) industry. The outlook may be revised to 'Positive' if FEPL achieves more than envisaged sales and profitability while achieving improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Company

The Haryana-based FEPL, incorporated in July 2013 is engaged in the manufacture of autoclaved aerated concrete (AAC) blocks or fly ash bricks. The company commenced commercial operations in June 2015.

For FY2015-16, FEPL reported net loss of Rs.2.93 crore on total operating income of Rs.10.45 crore.

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ABOUT SMERA

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