

Press Release

Sumeet Facilities Private Limited

July 17, 2018

Rating Reaffirmed



Total Bank Facilities Rated	Rs.15.00 crore (Enhanced from Rs.11.00 crore)
Long Term Rating	ACUITE BB-/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.15.00 crore bank facilities of Sumeet Facilities Private Limited. The outlook is '**Stable**'.

Sumeet Facilities Private Limited (SFPL) was incorporated in 1992 by Mr. Prabhakar Salunke, Mr. Sumeet Salunke, Ms. Sunanda Salunke, Mr. Ravindra Poman, Mr. Suryakant Pawar & Mr. Nitin Salunke. The company is engaged in providing Integrated Facility Management Services which include housekeeping services such as mechanised housekeeping, gardening, landscaping, solid waste management, pest control, placement and white color staffing, covering more than 200 clients. SFPL is rendering services across Maharashtra, Gujarat, New Delhi, Chhattisgarh and Tamil Nadu.

Key Rating Drivers

Strengths

- Experienced management**

SFPL has a long operational track record of around three decades in facilities management. The promoters, Mr. Prabhakar Salunke and his wife, Ms. Sunanda Salunke, have more than two decades of experience in the service sector. Thus, the company has been able to forge long lasting relationships with its customers.

- Healthy revenue growth**

SFPL registered healthy operating income growth at a CAGR of 54 percent for the period FY2016 to FY2018 on account of increase in value of existing contracts and addition of new clients. The operating income stood at Rs.133.52 crore in FY2018 (Provisional) compared to Rs.77.10 crore in FY2017 and Rs.68.46 crore in FY2016.

Weaknesses

- Working capital intensive operations**

SFPL has working capital intensive operations marked by Gross Current Assets (GCA) of 129 days in FY2018 (Provisional) as against 101 days in FY2017. The high GCA days emanate from the high debtor days of 118 in FY2018 (Provisional) and 96 days in FY2017 on account of the nature of service sector. The working capital limits of the company have been fully utilised in the past three months till March, 2018 for the stretched working capital requirements of the company.

- Moderate financial risk profile**

The moderate financial risk profile is marked by moderate net worth, moderate gearing and average debt protection metrics. The net worth levels of the firm stood at Rs.13.71 crore in FY2018 (Provisional) as against Rs.9.06 crore in FY2017. The gearing levels of the company stood at around 1.78 times in FY2018

(Provisional) as against 2.13 times in FY2017. The total debt of Rs.22.74 crore includes unsecured loans of Rs.12.09 crore, term loans of Rs.2.17 crore and working capital facility of Rs.8.48 crore in FY2018 (Provisional). The unsecured loans of Rs.12.09 crore includes preference share capital of Rs.4.51 crore by Directors, loans from Directors of Rs.1.14 crore and inter corporate deposits of Rs.6.44 crore in FY2018 (Provisional). Total Outside Liabilities/ Tangible Net Worth (TOL/TNW) stood at 4.51 times in FY2018 (Provisional) as against 3.94 times in FY2017. The interest coverage ratio stood high at 5.77 times in FY2018 (Provisional) as against 2.68 times in FY2017. The debt service coverage ratio stood at 1.05 times in FY2018 (Provisional) as against 1.52 times in FY2017. The Net Cash Accruals/ Total Debt (NCA/TD) stood at 0.24 times in FY2018 (Provisional) as against 0.11 times in FY2017.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SFPL to arrive at the rating.

Outlook: Stable

Acuite believes that SFPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and healthy growth in topline. The outlook maybe revised to 'Positive' in case the company registers consistent growth in revenues while efficiently managing the working capital cycle. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in revenues and profitability or a further elongation in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	133.52	77.10	68.46
EBITDA	Rs. Cr.	10.80	3.39	3.20
PAT	Rs. Cr.	4.66	1.26	1.49
EBITDA Margin	(%)	8.09	4.40	4.68
PAT Margin	(%)	3.49	1.63	2.17
ROCE	(%)	33.52	14.36	24.34
Total Debt/Tangible Net Worth	Times	1.66	2.13	2.01
PBDIT/Interest	Times	5.77	2.68	2.18
Total Debt/PBDIT	Times	2.11	5.69	4.89
Gross Current Assets (Days)	Days	129	101	108

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Service Entities: <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.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. Crore)	Ratings/Outlook
02-Aug-2017	Cash Credit	Long Term	6.00	ACUITE BB-/Stable (Assigned)
	Bank Guarantee/ Letter of Guarantee	Short Term	4.25	ACUITE A4 (Assigned)
	Proposed Short Term Loan	Short Term	0.75	ACUITE A4 (Assigned)

*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	Not Applicable	Not Applicable	Not Applicable	7.80 (enhanced from Rs.6.00 crore)	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.20 (enhanced from Rs.4.25 crore)	ACUITE A4 (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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