

Press Release

Shree Ambica Board Industries

January 11, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 9.44 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable (Upgraded from ACUITE D)
Short Term Rating	ACUITE A4 (Upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE B-**' (read as **ACUITE B minus**) from **ACUITE D** (read as **ACUITE D**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from **ACUITE D** (read as **ACUITE D**) to the Rs. 9.44 crore bank facilities of Shree Ambica Board Industries (SABI). The outlook is '**Stable**'.

The Gujarat-based SABI, a partnership firm was established in March 2008 by Mr. Haribhai Patel, Mr. Prakashbhai Bhagat, Mr. Sandipbhai Patel and others. From April 2018, there was a change in the leadership of the firm and new partners were appointed. Currently, the firm is promoted by Mr. Pravinbhai Patel, Mr. Ravi H Dholu, Mr. Sarthak Patel and others. The firm commenced operations in the manufacture of decorative veneer plywood from 2010 and has installed capacity of 2000 sheets per day.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SABI to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

SABI is promoted by Mr. Pravinbhai Patel who also manages the day to day operations of the firm. He has experience of more than a decade in the same line of business. The promoter's extensive experience has helped build long term relations with customers and suppliers. Acuite believes that the firm will continue to benefit through the promoter's extensive industry experience over the medium term.

Weaknesses

• Below average financial risk profile

SABI's financial risk profile is marked by its low net worth, high gearing and moderate debt protection measures. The net worth increased to Rs.4.10 crore as on 31 March, 2018 as against Rs.3.92 crore in the previous year on account of higher accretion to reserves. The firm's gearing is estimated to be high at 2.80 times as on 31 March, 2018 as against 3.03 times in the previous year. The firm has followed a moderately aggressive financial policy in the past, as reflected by its peak gearing of around 3.03 times as on March 31, 2017. The total debt of Rs.11.51 crore consists of long term debt of Rs.1.72 crore, Rs. 7.76 crore of unsecured loans from relatives and Rs.2.02 crore of short term debt obligations. The interest coverage ratio stood at 1.38 times in FY18 as against 1.28 times in the previous year. NCA/TD ratio stood 0.02 times in FY18. Acuite believes that the financial risk profile will improve in case of substantial and sustained growth in revenue and profitability.

• Working capital intensive nature of operation

The working capital management is marked by Gross Current Assets (GCA) of 646 days in FY2018 as against 551 days in FY2017. The firm maintains inventory of around 300 days on an average and extends clean credit of around 120 days to its customers, resulting in high GCA days. The inventory and debtor levels stood at 325 days and 337 days in FY2018 as against 242 days and 309 days in FY2017, respectively. Acuite believes that the working capital requirement will continue to remain high over the medium term on account of its high inventory requirements to cater to spot orders.

Outlook: Stable

Acuite believes that the outlook on SABI's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.26	10.51	9.12
EBITDA	Rs. Cr.	0.87	1.32	1.36
PAT	Rs. Cr.	0.08	0.14	0.07
EBITDA Margin	(%)	11.99	12.60	14.90
PAT Margin	(%)	1.12	1.35	0.82
ROCE	(%)	4.72	9.08	10.96
Total Debt/Tangible Net Worth	Times	2.80	3.03	2.36
PBDIT/Interest	Times	1.38	1.28	1.21
Total Debt/PBDIT	Times	12.62	8.34	5.95
Gross Current Assets (Days)	Days	646	551	600

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
30-Dec-2017	Term Loan	Long Term	2.44	ACUITE D (Assigned)
	Cash Credit	Long Term	2.00	ACUITE D (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE D (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE B- / Stable (Upgraded from ACUITE D)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B- / Stable (Upgraded from ACUITE D)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Upgraded from ACUITE D)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.84	ACUITE B- / Stable (Assigned)

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About Acuité Ratings & Research:

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