

Press Release

Silicon Jewel Industries Private Limited

October 03, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) and '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 14.00 crore bank facilities of SILICON JEWEL INDUSTRIES PRIVATE LIMITED (SJPL). The outlook is '**Stable**'.

SJPL is an Ankleshwar-based company incorporated in 2008. The company is engaged in the manufacturing of pre-laminated particle boards. SJPL is promoted by six individuals, namely, Mr Mansukhbhai Patel, Mr Rameshbhai Patel, Mr Arvinbhai Patel, Mr Prakash Patel, Mr Vikashkumar Dholu and Mr Vishnubhai Patel. However, Mr Rameshbhai Patel and Mr Vishnubhai Patel retired in FY13. SJPL manufactures pre-laminated particle board of 8x4 sizes and 9x6 size at its sole manufacturing plant located at Ankleshwar (Gujarat). SJPL sells its board under the brand name of 'Silicon' through its dealers across India.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SJPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

SJPL belongs to Ahmedabad-based Silicon Group (SG), which consists of three other entities, namely, Sterling Lam Limited, Shree Laxmi Wood industries and Shree Ambica Board Industries. These entities are engaged in manufacturing of wood-based products such as laminates, veneers, ply-board and doors. SJPL manufactures pre-laminated particle board. The promoters have around a decade of experience in wood-based products industry.

Weaknesses

- **Modest scale of operations**

The company reported decline in revenue by around ~42 per cent with operating income of Rs.17.08 crore in FY2019 (Provisional) as against operating income of Rs.29.69 crore in FY2018. Further, the operating margins have increased to 31.45 per cent in FY2019 (Provisional) from 18.75 per cent in FY2018.

Acuité believes that the scale of operations will remain stagnant due to the stress in the unorganised sector because of the changes in regulations.

- **Intensive working capital operations**

SJPL has intensive working capital operations marked by high Gross Current Assets (GCA) of 1070 days in FY2019 (Provisional) as against 537 days in FY2018. Majorly because of the inventory and debtor levels, which stood at 494 and 670 days in FY2019 (Provisional) as against 120 and 403 days in FY2018, respectively. As a result, the reliance on working capital facility is high, on an average for the past 6 months, ending August, 2019 the bank limits stood fully utilised.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of inventory maintenance and stress in the industry.

• Weak financial risk profile

The financial risk profile is weak marked by modest net worth and low debt protection measures and high gearing. Though the net worth has increased it has stood modest marked by Rs.12.30 crore as on 31 March, 2019 (Provisional) as against Rs.11.98 crore as on 31 March, 2018. The gearing of the company has stood high at 3.56 times as on March 31, 2019 (Provisional) as against 3.17 times as on 31 March, 2018. Total debt of Rs. 43.76 crore in FY2019 (Provisional) includes long term borrowing of Rs.7.35 crore, unsecured loans of Rs. 22.86 crore and working capital borrowing of Rs.13.55 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.26 times as on 31 March, 2019 (Provisional) as against 4.05 times as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 1.66 times in FY2019 (Provisional) as against 1.71 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.05 times as on 31 March, 2019 (Provisional) as against 0.06 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 1.18 times in FY2019 (Provisional) as against 1.36 times in FY2018.

Rating Sensitivity

- Increase in scale of operations marked by revenues in the range of Rs. 40.00 crore to Rs. 50.00 crore coupled with improvement in the profitability margins.

Material Covenants

None

Liquidity Position

SJPL has adequate liquidity marked by net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 2.08 crore in FY2019 (Provisional), Rs. 2.34 crore in FY2018 and Rs. 2.82 crore in FY2017, while its maturing debt obligations was Rs.1.28 crore for the same period. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 1070 in FY2019 (Provisional). Further, the reliance on working capital borrowings is high, the cash credit limit in the company remains fully utilized during the last 6 months' period ended August, 2019. The company maintains unencumbered cash and bank balances of Rs. 0.39 crore as on March 31, 2019. The current ratio of the company stood at 2.10 times as on March 31, 2019 (Provisional).

Outlook: Stable

Acuite believes that SJPL will maintain a 'Stable' outlook over the medium term from the industry experience of its management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in SJPL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	17.08	29.69	36.34
EBITDA	Rs. Cr.	5.37	5.57	6.14
PAT	Rs. Cr.	0.26	0.22	0.37
EBITDA Margin	(%)	31.45	18.75	16.91
PAT Margin	(%)	1.50	0.74	1.02
ROCE	(%)	6.73	7.01	7.51
Total Debt/Tangible Net Worth	Times	3.56	3.17	3.18
PBDIT/Interest	Times	1.66	1.71	1.83
Total Debt/PBDIT	Times	8.15	6.77	6.19
Gross Current Assets (Days)	Days	1,070	537	436

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
10th May 19	Cash Credit	Long Term	13.00	ACUITE B- (Indicative)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Indicative)
28th Feb 18	Cash Credit	Long Term	13.00	ACUITE BB- / Stable (Downgraded from ACUITE BB/Stable)
	Letter of Credit	Short Term	1.00	ACUITE A4 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE B-/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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