

Press Release

Sree Narayan Builders

June 29, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) on the Rs. 13.00 crore bank facilities of Sree Narayan Builders. The outlook is '**Stable**'.

Sree Narayan Builders (SNB), a West Bengal based entity was established in the year 1980 as a proprietorship concern by Mr. Shyamal Krishna Paul. The firm is engaged in trading of TMT bars. The firm is an authorized distributor for Jindal Steel Limited. The firm is currently catering to 12 districts of West Bengal through dealer networks of more than 250.

Key Rating Drivers

Strengths

- **Experienced Management**

The promoter, Mr. Shyamal Kumar Pal, has experience of more than three decades of experience in the same line of business. This long experience has helped the firm to establish comfortable relationships with their OEM, Jindal Steel Limited.

- **Wide spread geographical distribution through strong dealer network**

The firm is catering to 12 districts namely Birbhum, Bankura, Purulia, Hoogly, Kolkata, Midnapore etc of West Bengal through a dealer network of more than 250.

Weaknesses

- **Constrained financial risk profile**

The firm is having average financial risk profile marked by low networth, high gearing and moderate debt protection measures. The networth of the firm stood at Rs.6.33 crore as on 31st March 2018 (Provisional) as against Rs.4.74 crores in the previous year. The gearing of the firm stood at 2.43 times as on 31st March 2018 (Provisional) as against 3.03 times in the previous year. The total debt of Rs.15.41 crore consist of short term borrowings of Rs.15.36 crore and unsecured loans from promoters of Rs.0.05 crores. The TOL/TNW ratio stood at 3.96 times in FY2018 (Provisional) as against 3.91 times in the previous year. The interest coverage ratio (ICR) stood at 2.06 times in FY2018 (Provisional) as against 2.30 times in the previous year.

- **Working capital intensive nature of operations**

The firm is having working capital intensive nature of operations marked by gross current asset days (GCA) of 107 (Provisional) as on 31st March 2018 as against 87 days in the previous year. The reason for the same is due to increase in the inventory days to 65 in FY2018 (Provisional) as against 44 days in the previous year. Further, the debtor days has increase to 41 days as on 31st March 2018 (Provisional) as against 39 days in the previous year.

Analytical Approach

Acuité has considered standalone business and financial risk profiles of the company

Outlook: Stable

Acuité believes that SNB will continue to benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustainable improvement in the group's scale of operations, while it improves its financial risk profile. Conversely, the outlook may be

revised to 'Negative' if group's revenue and profitability decline or if its financial risk profile weakens, most likely because of a stretch in its working capital cycle or large debt- funded capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	82.83	86.23	70.49
EBITDA	Rs. Cr.	3.36	2.46	1.59
PAT	Rs. Cr.	1.71	1.37	0.25
EBITDA Margin	(%)	4.06	2.85	2.25
PAT Margin	(%)	2.06	1.59	0.36
ROCE	(%)	16.38	13.90	19.53
Total Debt/Tangible Net Worth	Times	2.43	3.03	3.35
PBDIT/Interest	Times	2.06	2.30	1.21
Total Debt/PBDIT	Times	4.58	5.83	7.75
Gross Current Assets (Days)	Days	107	87	83

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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)

Not Applicable

***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 BB- / Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Deep Majumder Analyst - Rating Operations Tel: 022-67141147 deep.majumder@acuiteratings.in	

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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