

Press Release

Siesta Laminates Private Limited

December 13, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.75 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 14.75 crore bank facilities of Siesta Laminates Private Limited (SLPL). The outlook is '**Stable**'.

Incorporated in 2011, SLPL is a Gujarat based company promoted by the Patel family. The company is engaged in manufacturing of decorative laminates sheets. The company offers numerous types of High Pressure decorative sheets in the patterns of country wood, rose valley, color core, metal series, and diamond leather, among others. The manufacturing facility is located in Mehsana (Gujarat).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

SLPL is promoted by Mr. Ambalal Patel who has experience of over two decades in the plywood industry through different entities. He is supported by Mr. Sunil Patel and Mr. Jayant Patel, who have experience of over a decade in the decorative laminates industry.

- **Growth in scale of operations and moderate profitability**

SLPL has reported revenues of Rs.41.66 crore in FY2018 (Provisional) as against Rs.29.54 crore in FY2017. The growth is a result of increased capacity and favorable demand from end user industry. The operating margins stood at 11.96 percent in FY2017 as against 13.52 percent in FY2016. Further, the PAT margins stood at 2.91 percent in FY2017 as against 4.05 percent in the previous year.

Weaknesses

- **Moderate financial risk profile**

SLPL's financial risk profile is moderate on account of leveraged capital structure. The company had net worth of Rs.3.75 crore as on 31 March, 2017 as against Rs.2.89 crore as on 31 March, 2016. The gearing stood at 2.79 times as on 31 March, 2017 as against 3.48 times as on 31 March, 2016. The total debt of Rs.10.46 crore as on 31 March, 2017 consist of working capital facilities of Rs.4.76 crore, unsecured loan from director of Rs.2.79 crore and long term debt of Rs.2.91 crore. Interest Coverage Ratio (ICR) stood at 2.88 times in FY2017 as against 2.91 times in FY2016.

- **Working capital intensive operations**

SLPL is required to maintain high inventory due to diversified product range as a result of which the operations are working capital intensive. The company reported Gross Current Assets (GCA) of 283 days in FY2017 as against 229 days in FY2016. This is mainly on account of high inventory of 98 days in FY2017 as against 58 days in FY2016. The company had debtors of 187 days and 170 days in FY2017 and FY2016, respectively. The operations are supported by extended credit from suppliers of 229 days and 133 days in FY2017 and FY2016, respectively.

Outlook: Stable

Acuite believes that SLPL will maintain a 'Stable' outlook in the medium term on the back of established track record of operations and experienced promoter. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while improving profit margins and efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or in case of deterioration in the financial risk profile and further elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	29.54	23.06	14.80
EBITDA	Rs. Cr.	3.53	3.12	1.78
PAT	Rs. Cr.	0.86	0.93	0.15
EBITDA Margin	(%)	11.96	13.52	12.01
PAT Margin	(%)	2.91	4.05	1.00
ROCE	(%)	18.14	19.02	17.99
Total Debt/Tangible Net Worth	Times	2.79	3.48	11.11
PBDIT/Interest	Times	2.88	2.91	2.24
Total Debt/PBDIT	Times	2.95	3.22	5.02
Gross Current Assets (Days)	Days	283	229	248

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

CARE, vide its press release dated February 22, 2018 had denoted the rating of Siesta Laminates Private Limited as 'CARE BB-/Stable; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

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)

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	14.75	ACUITE BB- / Stable

Contacts

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About Acuite Ratings & Research:

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