

Press Release

Saurashtra Specialities Private Limited

August 21, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.25 Cr.
Long Term Rating	ACUITE BB- /Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.15.25 cr bank facilities of Saurashtra Specialities Private Limited. The outlook is '**Stable**'.

Incorporated in 2001, Saurashtra Specialities Private Limited (SSPL) is a Gujarat-based company engaged in the manufacturing of corrugated boxes, wastepaper recycling machinery and manufacturing & marketing of modified starches & specialty chemicals for paper industry. The company is promoted by Mr. Sheetal Mehta and Mrs. Meera Mehta.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced promoter**

The promoter, Mr. Sheetal Mehta, is a second generation entrepreneur and has an experience of more than three decades in the paper and paper products industry. Mrs. Meera Mehta has an experience of more than two decades in the industry. Owing to the extensive experience of the promoters in the industry, the company has established healthy and long term relationships with a variety of reputed clients such as Kaira District Co-operative Milk Producers' Union Limited, Reliance Industries Limited and various paper mills in and around Gujarat. Acuité believes that the company will continue to benefit from its experienced management.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of SSPL is moderate marked by low tangible net worth of Rs.7.94 crore as on 31 March, 2019 (Provisional) as against Rs.7.29 crore as on 31 March, 2018. The gearing levels were at 1.88 times as on 31 March, 2019 (Provisional) as against 1.90 times as on 31 March, 2018. The total debt of Rs.14.91 crore outstanding as on 31 March, 2019 (Provisional) comprises term loan of Rs.8.38 crore, working capital borrowing of Rs.4.74 crore and unsecured loans from the promoters of Rs.1.79 crore. Interest Coverage Ratio (ICR) stood at 2.10 times in FY2019 (Provisional) as against 1.82 times in FY2018. DSCR stood at 1.42 times in FY2019 (Provisional) as against 1.27 times in FY2018. NCA/TD stood at 0.14 times in FY2019 (Provisional).

- **Working capital intensive operations**

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 133 days in FY2019 as against 105 days in FY2018. Rise in GCA days is on account of increase in the inventory holding period to 51 days in FY2019 as against 42 days in FY2018. The receivable days stood at 56 days in FY2019 as against 54 days in FY2018. Moreover, the bank limit utilisation stood high at 97 per cent over the twelve months ended May 2019.

Liquidity Profile

The company's liquidity is adequate marked by moderate net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs.2.09 crore in FY2019 (Provisional) to repay its long term debt obligations of Rs.1.32 crores over the same period. The company's operations are working capital intensive marked by gross current asset (GCA) days of 133 days in

FY2019 as against 105 days in FY2018. The current ratio stood at 1.09 times as on March 31, 2019 (Provisional) and the fund based limit remains utilised at 97 per cent over the twelve months ended May, 2019. The company maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on account of the extensive experience of the promoters. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and profitability, leading to a substantial increase in cash accrual. The outlook may be revised to 'Negative' in case of lower-than-expected revenues, or weakening of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	43.15	39.19	36.45
EBITDA	Rs. Cr.	4.36	3.73	3.20
PAT	Rs. Cr.	0.42	0.32	0.41
EBITDA Margin	(%)	10.10	9.52	8.77
PAT Margin	(%)	0.97	0.81	1.12
ROCE	(%)	12.40	13.58	10.58
Total Debt/Tangible Net Worth	Times	1.88	1.90	1.69
PBDIT/Interest	Times	2.10	1.82	2.11
Total Debt/PBDIT	Times	3.33	3.35	3.31
Gross Current Assets (Days)	Days	133	105	123

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

None

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.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
19-Dec-2018	Cash Credit	Long Term	3.00	ACUITE BB-/Stable (Assigned)
	Term Loans	Long Term	7.40	ACUITE BB-/Stable (Assigned)
	Term Loans	Long Term	2.35	ACUITE BB-/Stable (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	5.50 (Enhanced from Rs.3.00 Cr.)	ACUITE BB- /Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.40	ACUITE BB- /Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.35	ACUITE BB- /Stable (Reaffirmed)

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About Acuité Ratings & Research:

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