

Press Release

Sristi Ventures

December 18, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.8.00 Cr.*
Long Term Rating	ACUITE B /Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.8.00 crore bank facilities of Sristi Ventures (SV). The outlook is '**Stable**'.

About the Company

SV is a partnership firm established in 2016 by Mr. Bhoopathy Shetty, Mr. Shashi Nayak and family. The firm is established to manufacture eco walls (prefabricated structural wall panels) used for construction of buildings. The manufacturing facility is located at Udupi (Karnataka) with an installed capacity of 2500 sq.mt. Per shift per day.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

SV is a partnership firm is promoted by Mr. Shashi Nayak and Mr. Bhoopathy Shetty family. The managing partners, Mr. Shashi Nayak, possess more than two decades of experience and Mr. Bhoopathy Shetty, possess more than three decades of experience in the construction industry. They are supported by other managing partners who possess experience in finance, marketing, project management, among others.

Weaknesses

- **Weak financial risk profile**

The financial risk profile of the firm stood weak marked by tangible net worth of Rs.3.22 crore as on 31 March, 2020 as against Rs.3.56 crore as on 31 March, 2019. The decline in capital is due to losses in the past. The total debt of the firm as on 31 March, 2020 stood at Rs.9.86 crore, which includes long term debt of Rs.8.42 crore and short term debt of Rs.1.44 crore. The gearing (debt-equity) stood at 3.07 times as on 31 March, 2020 as compared to 1.41 times as on 31 March, 2019. TOL/TNW stood at 3.41 times as on 31 March, 2020 as against 2.48 times as on 31 March, 2019.

Acuité believes that the financial risk profile of SV will continue to remain weak over the medium term.

- **Delay in the commencement of commercial operation**

The firm has set up a manufacturing unit in Udupi at a total project cost of Rs.13.91 crore; funded through promoters' equity of Rs.4.41 crore and bank loan of Rs.9.50 crore (term loan of Rs.8.00 crore and working capital loan of Rs.1.50 crore). The commercial operations were expected to start by April 2019, but it got delayed and the commercial operations later started in January 2020. The delay in the start of commercial operations has impacted the business and financial risk profile of the firm.

Acuité believes that ability of the firm to improve its scale of operations and profitability matrices will be a key rating sensitivity.

- **Risk of capital withdrawal**

SV is exposed to the risk of capital withdrawal considering its partnership constitution. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Improving existing scale of operations and profitability.
- Improvement in the financial risk profile.

Material Covenants

None

Liquidity Position: Stretched

The firm has stretched liquidity marked by negative net cash accruals against maturing debt obligation. The firm has an average bank limit utilization of around at ~97 percent during the last 7 months period ended in October 2020. The firm has maintained unencumbered cash and bank balances of Rs.0.11 crore as on March 31, 2020. The current ratio of the firm stood at 2.07 times as on March 31, 2020 (Provisional).

Outlook: Stable

Acuité believes that the outlook on SV will remain 'Stable' over the medium term on account of the experience of the promoters. The outlook may be revised to 'Positive' in case of a significant improvement in its revenues along with improvement in profitability and liquidity position, financial risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' if there is any lower than expected growth in revenues and profitability or in case of deterioration in the capital structure and stretch in its working capital management leading to a deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	0.36	-
PAT	Rs. Cr.	(1.61)	-
PAT Margin	(%)	(450.08)	-
Total Debt/Tangible Net Worth	Times	3.07	-
PBDIT/Interest	Times	0.00	-

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Mar-2020	Term Loan I	Long Term	5.71	ACUITE B (Downgraded; Issuer not co-operating#)
	Term Loan II	Long Term	2.91	ACUITE B (Downgraded; Issuer not co-operating#)

04-Jan-2019	Term Loan I	Long Term	5.71	ACUITE B+/Stable (Assigned)
	Term Loan II	Long Term	2.29	ACUITE B+/Stable (Assigned)

#The issuer did not co-operate; based on best available information.

***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 Loan I	30-Jun-2019	10.70	30-Jun-2025	5.71	ACUITE B/Stable (Reaffirmed)
Term Loan II	30-Jun-2019	10.70	31-May-2025	2.29	ACUITE B/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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