Press Release

Parth Natural Stones Private Limited

D-U-N-S® Number: 85-964-5687

March 07, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** on the Rs. 9.00 crore bank facilities of PARTH NATURAL STONES PRIVATE LIMITED. The outlook is **'Stable'**.

PNPL, based at Udaipur (Rajasthan), was incorporated in 2011 by Mr. Naresh Bolya and Ms. Sonal Bolya. PNPL is engaged in the business of processing of marble blocks and sale of marble slabs which find its application in the construction as well as various allied activities. PNPL is a 100 percent Export Oriented Unit duly registered under EOU Scheme of Government of India and thus, licensed to trade with countries across the globe.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations with experienced management**
  The promoters hold an experience of more than two decades in the industry. Acuité believes that the company will be able to maintain healthy relations with its customers and suppliers backed by established track record and extensive experience of the promoters.

- **Average financial risk profile**
  The company's financial risk profile is average marked by low net worth, high gearing and moderate debt protection metrics.

  The tangible net worth stood at Rs. 6.64 crore as on March 31, 2018 against Rs. 3.64 crore as on March 31, 2017. The total debt of Rs.10.06 crore comprises Rs. 2.65 crore unsecured loans from the promoters and other related parties, Rs. 0.06 crore of long term borrowing from the bank and Rs. 7.35 crore of short term facility from the bank. The interest coverage ratio declined to 1.42 times for FY2018 against 1.82 times for FY2017. The DSCR declined to 1.41 times for FY2018 from 1.69 times for FY2017. The net cash accruals to total debt (NCA/TD) stood at 0.04 as on March 31, 2018. Total Outstanding Liabilities to total Net Worth ratio (TOL/TNW) improved to 1.70 times as on March 31, 2018 as against 4.83 times as on March 31, 2017.

  The company is planning for capital expenditure for manufacturing of quartz marbles amounting to Rs. 20.00 crore in FY 2019-20. This is planned to be funded through loans upto Rs. 12.00 crore and remaining through internal accruals and infusion of capital.

  Acuité believes the ability of the company to maintain a stable financial risk profile after the debt funded capex will be a key rating sensitivity factor.

Weaknesses

- **Decline in revenue**
  PNPL has registered revenue decline of ~76.26 percent in FY2018. The revenues declined to Rs. 9.27

crore in FY2018 from Rs. 39.04 crore in FY2017 and Rs. 45.14 crore in FY2016. The decline was mainly due to strike during the periods. The operating margin has been improved to 15.36 percent in FY2018 as against 6.79 percent in FY2017. The net cash accruals declined from Rs. 1.00 crore in FY2017 to Rs. 0.41 crore in FY2018.

- **Presence in a highly competitive stone industry with linkage to the cyclical infrastructure sector**
  It is considered to be highly fragmented with the presence of large number of organised and unorganised players and the industry is primarily dependent upon demand from real estate and construction sector across the globe.

Liquidity Position

PNPL has stretched liquidity marked by high Gross Current Assets (GCA) of 643 days in FY 2017-18 as against 180 days for FY 2016-17. This is mainly on account of high inventory and debtor days which stood at 271 days and 395 days for FY 2017- 18. The company maintains unencumbered cash and bank balances of Rs. 0.02 crore as on March 31, 2018. The current ratio of the company stood at 1.86 times as on March 31, 2018. Acuité believes that the liquidity profile will remain key factor to maintain a stable credit profile.

Outlook: Stable

Acuité believes that the outlook on PNPL will remain 'Stable' over the medium term on account of its promoters' extensive experience in the industry. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while maintaining comfortable liquidity profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity or financial risk profile on account of large working capital requirements or low net cash accruals.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	9.27	39.04	45.14
EBITDA	Rs. Cr.	1.42	2.65	-0.51
PAT	Rs. Cr.	0.02	0.42	-2.95
EBITDA Margin	(%)	15.36	6.79	-1.14
PAT Margin	(%)	0.26	1.09	-6.54
ROCE	(%)	5.91	13.30	-21.25
Total Debt/Tangible Net Worth	Times	1.52	4.13	3.13
PBDIT/Interest	Times	1.42	1.82	-0.30
Total Debt/PBDIT	Times	7.07	5.67	-19.09
Gross Current Assets (Days)	Days	643	180	122

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

None

Any other information

None

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	*8.30	ACUITE B+ / Stable (Assigned)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE B+ / Stable (Assigned)

**Packing Credit Rs. 3.00 crore facilities are 100% interchangeable with Cash Credit.*

Contacts

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About Acuité Ratings & Research:

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