

Press Release

Constro Solutions Limited



D-U-N-S® Number: 87-379-7787

July 24, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 29.93 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) and short term rating of '**ACUITE A4** (**read as ACUITE A four**) on the Rs. 29.93 crore bank facilities of CONSTRO SOLUTIONS LIMITED (CSL). The outlook is '**Stable**'.

Incorporated in 2013, CSL is a Mumbai-based company promoted by Mr. Saji Pillai, Mr. Mukund Joshi and Mr. Satish Singh. The company is engaged in manufacturing of autoclaved aerated (AAC) blocks under its brand name 'Gruntec'. CSL has its manufacturing facility located at Sinnar in Nashik (Maharashtra) with installed capacity of manufacturing 480 cubic meters per day i.e. 10,000 blocks per day. The major raw material required is fly ash which is easily available from nearby thermal power plants.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the CSL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

Incorporated in 2013, the company has been engaged in the manufacturing of AAC block with its facility located at Nashik (Maharashtra). CSL is managed by Mr. Saji Pillai and Mr. Mukund Joshi who possess experience of nearly a decade in this industry. Before promoting CSL, the promoters held an experience of nearly a decade in the aforementioned industry. In CSL's books, 80 percent of its turnover is from principal customers such as Godrej and Boyce Manufacturing Company Limited (60 percent contribution), Nirmeeti Enterprises and Kaneria Plast Private Limited. Acuité believes that CSL will benefit from the extensive experience of the promoters in the industry and established relations with its customers including Godrej and Boyce Manufacturing Company Limited and suppliers such as Ultratech Cements Limited and ACC Limited among others.

- **Modest scale of operations with healthy profitability**

CSL has modest scale of operations marked by operating income of Rs.37.53 crore in FY2018 as against Rs.37.58 crore in FY2017 and Rs.29.58 crore in FY2016. The company has booked revenue of Rs.42.0 crore for FY2019 (Provisionals). Further, the company's operating margins are healthy with 19.00 percent in FY2018 as against 23.02 percent in FY2017. The company reported Profit after Tax (PAT) margin of 2.39 percent in FY2018 against 6.38 percent in FY2017. Acuité believes that the company's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

Weaknesses

- **Moderate financial risk profile and working capital**

The financial risk profile of the company is moderate marked by tangible net worth of Rs.13.95 crore as on 31 March, 2018. The net worth for FY2019 (Provisional) stood at Rs.23.00 crore. The accretion in net worth is on account of equity infusion by the promoters. The gearing (debt-equity) remained moderate at 2.07 times as on March 31, 2018 against 2.43 times as on March 31, 2017. However, with infusion of equity for FY2019 (Provisional), the gearing is expected to be comfortable in medium term. The total debt outstanding of Rs.28.82 crore as on 31 March, 2018 consists term loan of Rs.18.54 crore, working capital borrowing of Rs.6.50 crore and unsecured loan from Directors of Rs.3.78 crore.

The leverage and coverage indicators continue to remain moderate marked by Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR). ICR stood moderate at 2.07 times and DSCR stood at 1.10 times in FY2018. Total outside liabilities to tangible net worth has remained at 2.97 times as on 31 March, 2018 as against 3.08 times as on 31 March, 2017. The company maintains moderate working capital cycle as the same stood at 165 days for FY2018 as against 125 days in the previous year. Average cash credit utilisation is fully utilised. Acuité believes that the growth in revenue, sustenance of its profitability margins and absence of any significant capex plans are expected to support the financial risk profile in near to medium term.

- **Customer concentration risk**

CSL faces high customer concentration risk. Its top customers, Godrej and Boyce Manufacturing Company Limited, accounts for ~80 per cent of its sales in FY 2017 and FY 2018. The high customer concentration renders the company's revenue growth and profitability susceptible to the growth plans of its key customer.

Liquidity position:

The company has stretched liquidity marked by moderate net cash accruals as compared to its maturing debt obligations. CSL generated cash accruals of Rs.2.4-4.3 crore during the last three years through 2017-18, while the maturing debt obligations were in the range of Rs.7.7 crore over the same period. The cash accruals are estimated to remain around Rs.3.7-6.3 crore during 2019-21, while its repayment obligations are estimated to be around Rs.4.2-6.6 crore. CSL maintains cash and bank balances of Rs.0.04 crore as on March 31, 2018. The current ratio stood low at 0.76 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to be revised to moderate liquidity over the medium term on account of no long-term debt obligation and infusion of equity

Outlook: Stable

Acuité believes that CSL will maintain 'Stable' outlook over the medium term from its promoters' experience in the industry and moderate financial risk profile and health profitability. The outlook may be revised to 'Positive' in case the company is able to register healthy revenues and sustain its profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the company's revenue, profit margins and working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	37.53	37.58	29.58
EBITDA	Rs. Cr.	7.13	8.65	6.31
PAT	Rs. Cr.	0.90	2.57	0.75
EBITDA Margin	(%)	19.00	23.02	21.33
PAT Margin	(%)	2.39	6.83	2.55
ROCE	(%)	10.65	15.77	22.85
Total Debt/Tangible Net Worth	Times	2.07	2.43	2.79
PBDIT/Interest	Times	2.07	2.36	1.99
Total Debt/PBDIT	Times	3.97	3.66	4.63
Gross Current Assets (Days)	Days	165	125	96

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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)

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	6.51	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	10.95	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	5.49	ACUITE B+ / Stable
Proposed Non-Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	5.48	ACUITE A4

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Grishma Muni Analyst - Rating Operations Tel: 022-49294075 grishma.muni@acuiteratings.in	

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent

assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.