

Press Release

Struc Rite Metal Building Systems

September 20, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB- /Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 12.00 crore bank facilities of Struc Rite Metal Building Systems. The outlook is '**Stable**'.

Established in December 2012, Struc Rite Metal Building Systems (SRMS) is a Chhattisgarh-based partnership firm engaged in installation of pre-engineered buildings for residential, commercial and industrial buildings. Currently, the operations are being managed by Mr. Rajesh Kumar Jain and Mr. Mohammad Ali Kamdar, having an equal profit sharing ratio.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

Struc Rite Metal Building Systems (SRMS) was started as a partnership firm and is being currently managed by its partners, Mr. Rajesh Kumar Jain and Mr. Mohammad Ali Kamdar. Mr. Rajesh Kumar Jain is a civil engineer by qualification and has prior experience of over three decades in the civil construction industry. Acuite believes that the experience of management will help the firm secure healthy order books going forward.

• Improving scale of operations

The scale of operations is healthy and improving during FY 2017-2019 (Provisional) with revenue of Rs 21.90 crore in FY2017 and Rs 29.15 crore in FY2018. The firm has reported revenues of Rs 51.53 crore in financial year 2019 (Provisional). Moreover, the unexecuted orders in hand as on 31 August, 2019 stood at Rs 70.11 crore, which gives the revenue visibility over the medium term.

Weaknesses

• Moderate financial risk profile

The financial risk profile is moderate marked by a moderate net network, gearing and comfortable debt protection metrics, Net worth stood at Rs 5.29 crore as on 31 March, 2019 (Provisional) as against Rs.1.66 crore as on 31 March, 2018. The improvement in network is due to retention of profits. The gearing improved to 1.40 times as on 31 March, 2019 (Provisional) as against 4.08 times as on 31 March, 2018. The total debt of Rs 7.39 crore as on consist of Rs 2.48 crore of long term debt, Rs 1.27 crore of unsecured loans and short term debt of Rs 3.64 crore as on 31 March, 2019 (Provisional). The debt protection metrics stood comfortable with interest coverage ratio of 8.58 times as on 31 March, 2019 (Provisional) as against 4.08 times as on 31 March, 2018.

• Working capital intensive nature of operations

The firm's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 130 days as on 31 March, 2019 (Provisional) as against 180 days as on March 31, 2018. The GCA days are dominated mainly on account of other current assets, which includes advances to suppliers. The inventory stood moderate with inventory days at 35 as on 31 March, 2019 (Provisional) as

against 75 days as on March 31, 2018. The debtor days stood moderate at 63 days as on 31 March, 2019 (Provisional) as against 86 days as on March 31, 2018. Further, SRMS's working capital intensity is reflected from the limits over last twelve months period, which was utilised at an average of 90 per cent utilisation in its working capital limit limits over the last twelve months period ended July'19

Liquidity Profile

Struc Rite Metal Building Systems' liquidity profile is adequate marked by modest cash accruals as against its maturing debt obligations. The firm generated cash accruals of Rs 0.29 crore – Rs. 4.20 crore during the last three years through 2018-19 (Provisional), against its maturing debt obligations over the same period. The bank limit remains utilized to the extent of ~ 90 per cent during the twelve months period ended July'19. The current ratio stood at 1.18 times as on 31 March, 2019 (Provisional). Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of sufficient cash accrual and as against its long term debt repayments.

Outlook: Stable

Acuite believes that Struc Rite Metal Building Systems will maintain a 'Stable' profile over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenues, profitability and improvement in its working capital intensity. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile owing to higher than expected stretch in its working capital requirements

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	51.53	29.15	21.90
EBITDA	Rs. Cr.	3.98	1.47	0.42
PAT	Rs. Cr.	2.01	0.24	0.13
EBITDA Margin	(%)	7.72	5.06	1.91
PAT Margin	(%)	3.91	0.83	0.60
ROCE	(%)	30.63	10.10	9.06
Total Debt/Tangible Net Worth	Times	3.72	4.08	4.30
PBDIT/Interest	Times	7.22	3.14	3.18
Total Debt/PBDIT	Times	1.85	4.50	11.19
Gross Current Assets (Days)	Days	130	180	191

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/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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	3.00	ACUITE BB-/Stable (Assigned)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	2.76	ACUITE BB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.76	ACUITE BB-/Stable (Assigned)
Proposed fund based facility	Not Applicable	Not Applicable	Not Applicable	1.98	ACUITE BB-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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