

Press Release

Suyash Equipments Private Limited

October 16, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE BB plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 12.00 crore bank facilities of SUYASH EQUIPMENTS PRIVATE LIMITED. The outlook is '**Stable**'.

Suyash Equipments Private Limited (SEPL) is a Pune-based company, incorporated in the year 1993. It is promoted by late Mr. Rajeev Dhamdhere and Mr. Gadgil. Later in 2016, Mr. Virendra Upadhye and Mr. Mukund Deshmukh acquired the entire stake in the company. The company is engaged in manufacturing, supplying and exporting of an encompassing range of industrial air and water treatment systems. SEPL manufactures Supersep Oily Water Separators, Oily water Separators for Industries, High speed Biological Treatment System, Oil content Meter and many more products majorly for Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SEPL to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operations with stable business risk profile**

SEPL was incorporated in year 1993 and is engaged in manufacturing, supplying of industrial air and water treatment systems. IPWT has stable business risk profile with geographically diversified and reputed customer base spread across pan India. Also, the company has strong position in niche market having established and long-term relationship with the clients including IOCL, HPCL, BPCL amongst others. Further, majority of the revenue is derived from the Government bodies. Acuite believes that the company will benefit from its established track record and long-standing relationship with its existing clients.

- Moderate financial risk profile**

SEPL has moderate financial risk profile marked by moderate net worth, debt protection metrics and coverage indicators. The company has low gearing position at 0.94 times as on 31 March, 2019 as against 1.51 times as on 31 March, 2018. Total debt outstanding at Rs. 4.85 crore includes working capital limits Rs.2.40 cr, TL outstanding Rs.1.56 cr and unsecured loans Rs.0.89 crore as on 31 March, 2019. It has healthy debt protection metrics with interest coverage ratio at 7.08 times and DSCR at 5.36 times for FY2019. It reported EBITDA margins of 21.77 per cent and PAT margins at 13.26 per cent for FY2019. It has healthy return indicator marked by ROCE margins at 46.98 per cent for FY2019.

Weaknesses

- Moderate scale of operations**

The scale of operations is modest despite operations having commenced over three decades ago. SEPL reported operating income of Rs. 15.43 crore for FY2019 as against Rs.4.77 crore for FY2018 and

Rs. 8.01 crore for FY2017. The company has orders in hand of around Rs.17.15 crore as on October, 2019.

• Tender based nature of operations

Majority of the revenue is derived from government tenders for environmental equipments. SEPL faces intense competition in bidding for government tenders and procurement of contracts during the downturn presents a major challenge for the company.

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 2.09 crore for FY2019 while its maturing debt obligations were Rs. 0.19 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 2.94 crore to Rs. 4.12 crore during 2020-22 against around Rs.0.19 crore of repayment obligation. The company's working capital operations are intensive marked by gross current asset (GCA) days of 322 days for FY2019. The company maintains unencumbered cash and bank balances of Rs. 0.71 crore as on 31 March 2019. The current ratio stands at 2.06 times as on 31 March 2019. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Rating Sensitivities

Significant improvement in operating income Elongated working capital cycle.

Outlook: Stable

Acuite believes that SEPL will maintain a 'Stable' business risk profile on account of its established operational track record and reputed clientele. The outlook may be revised to 'Positive' in case SEPL is able to achieve significant growth in revenue along with improvement in profitability and significant improvement in financial risk profile. The outlook may be revised to 'Negative' in case SEPL reports deterioration in the working capital cycle or stretched liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	15.43	4.77	8.01
EBITDA	Rs. Cr.	3.36	0.84	0.67
PAT	Rs. Cr.	2.05	0.35	0.43
EBITDA Margin	(%)	21.77	17.67	8.36
PAT Margin	(%)	13.26	7.31	5.42
ROCE	(%)	46.98	22.51	47.56
Total Debt/Tangible Net Worth	Times	1.67	1.51	1.14
PBDIT/Interest	Times	7.08	2.75	23.99
Total Debt/PBDIT	Times	1.84	2.98	2.19
Gross Current Assets (Days)	Days	322	451	237

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

None

Any other information

None

Any Material Covenants

The company to maintain Unsecured Loans at Rs.1.40 crore

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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	2.50	ACUITE BB+ / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.40	ACUITE A4+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.60	ACUITE A4+

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About Acuité Ratings & Research:

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