

Press Release

Suyash Equipments Private Limited

January 08, 2021



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the 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 (SEPL). The outlook is '**Stable**'.

About Company

Suyash Equipments Private Limited (SEPL) is a Pune-based company, incorporated in the year 1993. It is promoted by Mr. Virendra Upadhye and Mr. Mukund Deshmukh. The company is engaged in manufacturing, supplying and exporting of an encompassing range of industrial air and water treatment systems. SEPL manufactures superset 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 (IOCL), Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations**

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

Acuité believes that the company will benefit from its established track record and longstanding relationship with its existing clients over the medium term.

- **Moderate financial risk profile**

SEPL's financial risk profile is marked by moderate net worth, gearing (debt-equity) and moderate debt protection metrics. The tangible net worth of the company stood at Rs.5.23 crore as on 31 March, 2020 as against Rs.3.74 crore as on 31 March, 2019. The total debt of Rs.8.61 crore as on 31 March, 2020 consist of long term debt of Rs.1.59 crore, unsecured loans from promoters of Rs.1.35 crore and short term borrowing of Rs.5.68 crore. The gearing (debt-equity) stood at 1.65 times as on 31 March, 2020 as compared to 1.67 times as on 31 March, 2019. The Interest Coverage Ratio stood at 3.14 times for FY2020 as against 7.08 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.87 times as on 31 March, 2020 as against 2.83 times as on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.18 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 2.16 times in FY2020 as against 5.36 times in FY2019.

Acuité believes that the financial risk profile of SEPL will continue to remain moderate over the medium term on account of conservative financial policy and absence of any major debt-funded capital expenditure.

Weaknesses

- **Intensive working capital cycle**

The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 537 days in FY2020 and 322 days in FY2019. The receivable days stood at 135 days in FY2020 as against 127 days in FY2019. The inventory days stood at 395 days in FY2020 as against 176 days in FY2019. The average bank limit utilisation stood high at ~89.00 percent for the past 7 months ending November 2020.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

- **Tender based nature of operations**

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

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

SEPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.40-2.10 crore during the last three years through 2018-20, while its maturing debt obligations were Rs.0.18-0.20 crore over the same period. The company's working capital operation is intensive marked by Gross Current Asset (GCA) of 537 days in FY2020 as against 322 days in FY2019. The company maintains unencumbered cash and bank balances of Rs.1.05 crore as on March 31, 2018. The current ratio of the company stands healthy at 1.85 times as on March 31, 2020. The average bank limit utilization is around 88 percent for the last 7 months ending November 2020.

Outlook: Stable

Acuité believes that SEPL will continue to maintain a 'Stable' outlook over the near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	13.01	15.43
PAT	Rs. Cr.	1.48	2.05
PAT Margin	(%)	11.39	13.26
Total Debt/Tangible Net Worth	Times	1.65	1.67
PBDIT/Interest	Times	3.14	7.08

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
16-Oct-2019	Cash Credit	Long Term	2.50	ACUITE BB+/Stable (Assigned)
	Proposed Cash Credit	Long Term	3.50	ACUITE BB+/Stable (Assigned)
	Bank Guarantee	Short Term	2.40	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	3.60	ACUITE A4+ (Assigned)

***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	6.00	ACUITE BB+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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