

## Press Release

Suyash Equipments Private Limited

March 28, 2022



### Rating Downgraded & Withdrawn and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	-	ACUITE A4+   Reaffirmed & Withdrawn
Bank Loan Ratings	6.00	ACUITE BB   Downgraded & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	12.00	-	-

\* Refer Annexure for details

### Rating Rationale

Acuite has withdrawn and downgraded the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and has reaffirmed 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 rating withdrawal is in accordance with the Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and NOC received from the banker.

### Rationale for rating downgrade

The downgrade in rating is on account of substantial decline in profitability margins of the company leading to deterioration in the financial risk profile along with an intensive working capital cycle.

### About the 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 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 profile of SEPL to arrive at

the rating.

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of operations**

SEPL was incorporated in 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 pan 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.

### **Weaknesses**

#### **Moderate financial risk profile**

The financial risk profile of the company stood moderate marked by low net worth, moderate gearing and moderate debt protection metrics. The tangible net worth stood at Rs.5.32 crore as on March 31, 2021 as against Rs.5.23 crore as on March 31, 2020. The total debt of the company stood at Rs.9.79 crore includes Rs.3.07 crore of long-term debt, Rs.1.03 crore of unsecured loans and Rs.5.69 crore of short-term debt as on March 31, 2021. The gearing (debt-equity) stood at 1.84 times as on March 31, 2021 as compared to 1.65 times as on March 31, 2020. Interest Coverage Ratio stood at 1.10 times for FY2021 as against 3.15 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 0.95 times for FY2021 as against 2.17 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.99 times as on March 31, 2021 as against 2.87 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.01 times for FY2021 as against 0.18 times for FY2020.

Acuité believes that the financial risk profile of SEPL will continue to remain moderate over the medium term.

#### **Intensive working capital operations.**

The working capital management of the company is intensive marked by GCA days of 411 days in FY2021 as against 537 days in FY2020. The inventory days stood at 210 days in FY2021 as against 395 days in FY2020. In addition, the debtor days stood at 142 days in FY2021 as against 135 days in FY2020. The average bank limit utilization stood high at around 84 percent during the last 5 months ended as on February 2022.

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 improving the profitability margin.

Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

### **Material covenants**

None.

### Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to maturing debt obligations. The company has cash accruals that stood at Rs.0.10-2.10 crore during the last three years through 2019-21, as against maturing debt obligation of Rs.0.20-0.80 crore during the same period. The company's working capital operation stood intensive marked by GCA days of 411 days in FY2021 as against 537 days in FY2020. The current ratio of the company stood at 1.68 times as on March 31, 2021. The average bank limit utilization stood high at around 84 percent during the last 5 months ended as on February 2022.

### Outlook: Not Applicable

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	17.58	13.01
PAT	Rs. Cr.	0.08	1.49
PAT Margin	(%)	0.46	11.47
Total Debt/Tangible Net Worth	Times	1.84	1.65
PBDIT/Interest	Times	1.10	3.15

### 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>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jan 2021	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB+   Stable (Reaffirmed)
16 Oct 2019	Bank Guarantee	Short Term	2.40	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	3.50	ACUITE BB+   Stable (Assigned)
	Proposed Bank Guarantee	Short Term	3.60	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	2.50	ACUITE BB+   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Bank of Maharashtra	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+   Reaffirmed & Withdrawn
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB   Downgraded & Withdrawn ( from ACUITE BB+ )

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### About Acuité Ratings & Research

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