

Press Release

Placebo Fabtech Private Limited

November 27, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite 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. 6.50 crore bank facilities of PLACEBO FABTECH PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in 2018 by Mr. Ch Shyam Sunder Reddy, Placebo Fabtech Private Limited (PFPL) is a Hyderabad based company engaged in steel fabrications of steel girders, pre engineering structures for railway bridges, flyovers, high rise buildings and industries. The company caters to reputed clientele which includes Ramky Group, Indian railways, Jindal Steel Works among others.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced Management

PFPL is engaged in steel fabrications of steel girders, pre engineering structures. Promoter, Mr. Ch Shyam Sunder Reddy, has almost four decades of experience in the engineering and construction domain. Before incorporating PFPL, the promoters were associated with firms Placebo Gears and Transmission and Placebo Engineering Corporation. Acuite believes promoters experience would help the company support in acquiring clients and improve business risk profile over the medium term.

Weaknesses

• Nascent Stage of Operations

PFPL commenced its operations in October 2018 and registered Rs. 0.17 Crore of revenue in FY2019. The company has an order book position of Rs.18 crore thereby giving moderate revenue visibility in near term. Acuite believes that stabilisation of operations and improvement of orders is the key rating sensitivity factors for the revenue profile and cash flows.

• Competitive and fragmented industry

The company operates in a highly competitive and fragmented industry having characterised by large number of unorganised players mainly on account of low entry barriers. This can have an impact on the profitability margins of the group.

Liquidity Position: Stretched

The liquidity of the company is stretched as the company is undergoing a capex of Rs 2.00 Crore for acquiring the machinery. This is expected to be funded by the term loan of Rs. 2.00 Crore and the repayments would start in FY2021 for the same. Cash accruals are estimated to remain around Rs.1.60 - 3.80 crore during 2020-22, while its repayment obligations are expected to be Rs. 0.40 crore; which gives moderate comfort for the incremental working capital requirements in the medium term.

Rating Sensitivities

- Improvement in order book and timely execution of the same
- Any deterioration in working capital and liquidity

Outlook: Stable

Acuite believes that PFPL will maintain a 'Stable' outlook over the medium term backed by its experienced management. The outlook may be revised to 'Positive' in case of significant improvement in its revenues, while maintaining the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management and deteriorating liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	0.17	-	-
EBITDA	Rs. Cr.	0.02	-	-
PAT	Rs. Cr.	0.01	-	-
EBITDA Margin	(%)	10.81	-	-
PAT Margin	(%)	8.48	-	-
ROCE	(%)	7.78	-	-
Total Debt/Tangible Net Worth	Times	1.87	-	-
PBDIT/Interest	Times	565.10	-	-
Total Debt/PBDIT	Times	16.64	-	-
Gross Current Assets (Days)	Days	620	-	-

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

Not Applicable

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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	2.00	ACUITE B+/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+/ Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4

Contacts

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About Acuité Ratings & Research:

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