

## Press Release

Placebo Fabtech Private Limited

February 04, 2021



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs.6.50 Cr.
<b>Long Term Rating</b>	ACUITE B+/Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.6.50 crore bank facilities of Placebo Fabtech Private Limited (PFPL). The outlook is '**Stable**'.

### About the Company

Placebo Fabtech Private Limited (PFPL) is a Hyderabad based company incorporated in 2018 by Mr. Ch Shyam Sunder Reddy. The company was 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

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

### Key Rating Drivers

#### Strengths

- **Experience management**

PFPL is engaged in steel fabrications of steel girders, pre-engineering structures. The company is promoted by Mr. Ch Shyam Sunder Reddy, who has almost four decades of experience in the engineering and construction domain. Before incorporating PFPL, the promoter was associated with firms Placebo Gears and Transmission and Placebo Engineering Corporation. Also, the company has established relationship with the customers, including Ramky Group, Indian railways, Jindal Steel Works, among others.

Acuité believes that the company will continue to benefit from the promoters' experience in improving its business risk profile over the medium term.

#### Weaknesses

- **Weak financial risk profile**

The financial risk profile of the company stood weak marked by low net worth, high gearing and moderate debt protection metrics. The tangible net worth stood at Rs.0.47 crore as on 31 March, 2020 as against Rs.0.16 crore as on 31 March, 2019. The total debt of the company stood at Rs.6.24 crore includes Rs.4.02 crore of long term debt, Rs.0.22 crore of unsecured loans from directors and Rs.1.99 crore of short term debt as on 31 March, 2020. The gearing (debt-equity) stood at 13.22 times as on 31 March, 2020. Interest Coverage Ratio stood at 2.74 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 2.35 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 27.49 times as on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.07 times for FY2020.

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

• **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 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: Stretched**

PFPL has stretched liquidity marked by low net cash accruals and high bank limit utilisation. The company generated cash accruals of Rs.0.45 crore during FY2020. The company's working capital operation is intensive marked by Gross Current Asset (GCA) of 234 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.0.07 crore as on March 31, 2020. The current ratio of the company stands at 1.21 times as on March 31, 2020. The average bank limit utilization is around 88 percent for the last 8 months ending November 2020.

**Outlook: Stable**

Acuité believes that PFPL 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.	15.07	0.17
PAT	Rs. Cr.	0.31	0.01
PAT Margin	(%)	2.07	8.48
Total Debt/Tangible Net Worth	Times	13.22	1.87
PBDIT/Interest	Times	2.74	-

**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
27-Nov-2019	Cash Credit	Long Term	2.00	ACUITE B+/Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE B+/Stable (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	1.00	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	2.00	ACUITE B+/Stable (Reaffirmed)
Term Loan	October 2019	12.00	October 2024	2.00	ACUITE B+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4 (Reaffirmed)

### Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022 49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Vishal Kotian Analyst – Rating Operations Tel: 022 49294064 <a href="mailto:vishal.kotian@acuite.in">vishal.kotian@acuite.in</a>	Varsha Bist Senior Manager - Rating Desk Tel: 022 49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research:

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