

Press Release

Sri Venkatesh Granites Private Limited

September 09, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	ACUITE BBB-/ Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.30.00 crore bank facilities of Sri Venkatesh Granites Private Limited (SVGPL). The outlook is '**Stable**'.

About the company

Telangana based Sri Venkatesh Granites was established as a partnership firm in the year 2004 and later in 2008 it was reconstituted to a private limited company. The company is engaged in drilling and extracting of rough granite blocks from quarries. The company has 12 quarries spreading across 60 acres of land in and around Karimnagar, Telangana.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SVGPL established as a partnership firm in the year 2004 and reconstituted to private limited in the year 2008. The company is led by Mr. Venugopal Karwa, Mr. Bhagwandas Karwa, Ms. Santhosh Karwa, Ms. Manju Karwa, Mr. Arjun Karwa, Mr. Kushaal Karwa and Mr. Krishna Karwa. Mr. Venu Karwa is the chairman and managing director of the company who is having more than two decades of experience in the similar line of business. The company has reported revenue of Rs.98.64 crore in FY2020 (provisional) as against Rs.87.49 crore in FY2019.

Acuité believes that the promoter's experiences, vintage of operations, are expected to support in improvement of its business risk profile over the medium term.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate, marked by moderate net worth, gearing and debt protection indicators. The tangible net worth of the company stood at Rs.21.51 crore as on 31 March, 2020 (provisional) as against Rs.21.06 crore in the FY2019, the increase is due to the accretion of profits to reserves. The gearing (debt-equity) and Total outside liabilities to Tangible Net Worth (TOL/TNW) levels are moderate at 1.47 and 2.75 times respectively as on 31 March, 2020 (provisional) vis-à-vis 1.61 and 2.14 times respectively as on 31 March, 2019. The total debt outstanding of Rs.31.60 crore as on 31 March, 2020 (provisional), long term debt constitutes Rs.5.62 crore; unsecured loans constitutes of Rs.7.96 crore and short term debt of Rs.11.48 crore. The interest coverage ratio and net cash accruals to total debt are moderate at 2.84 times and 0.22 times, respectively in FY2020 (provisional) as against 3.22 times and 0.18 times, respectively in FY2019. Interest coverage ratio has deteriorated due to increase in interest cost, NCA/TD improved to 0.22 in FY2020 (provisional) from 0.18 in FY2019 due to decrease in total debt on account of a decrease in unsecured loans and increase in net cash accruals when compared to the previous year. SVGPL generated cash accruals of Rs.6.83 crores in FY2020 (provisional) as against Rs.5.93 crore in FY2019 on account of increase in revenue and improving operating margins.

Acuité believes that the financial risk profile of the group is expected to remain moderate over the near to medium term on account of moderate cash accruals.

Weaknesses

- **Working capital intensive nature of operations**

SVGPL's operations are working capital intensive marked by Gross Current Assets (GCA) of 182 days in FY2020 (provisional) as against 179 days in FY2019. The high GCA days are mainly on account of minimal stretch in debtor days and advances given to suppliers. The debtor days stood at 41 days in FY2020 (provisional) as against 39 days in FY2019. The inventory days stood at 59 days in FY2020 (provisional) as against 71 days in FY2019.

The creditor days stood at 90 in FY2020 (provisional) as against 58 days in FY2019. However, SVGPL's bank limit utilization remained ~85 percent utilized for the last six months ended July 2020.

Acuite believes that the operations continue to be working capital intensive basis the industry and business cycle.

- **Exposure to forex risk**

The company's profit margins are exposed to fluctuations in forex rates. The company exports 97 per cent of its sales to China. The company hedges the forex risk depending on the market conditions and its outlook. The profitability of the company also depends on the movement in the granite prices.

Rating Sensitivity factors:

- Significant improvement in revenues
- Any further deterioration in working capital and financial risk profile

Material Covenants: None

Liquidity Position: Adequate

SVGPL has adequate liquidity marked by net cash accruals as compared to its maturing debt obligations. The company generated cash accruals of Rs.5.58-6.83 crore during the last three years through 2018-20, while the maturing debt obligations were in the range of Rs.3.24-6.53 crore over the same period. The cash accruals are estimated to be around Rs.7.40-10.50 crore during 2021-23, while its repayment obligations in the range of Rs.6.70 crore to Rs.7.10 crore. The company maintains cash and bank balances of Rs.5.47 crore as on March 31, 2020 (provisional). The current ratio stood moderate at 1.04 times as on March 31, 2020 (provisional). Further, the working capital limits of the company remains utilized at 85 percent for the last six months ended July in 2020.

Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of improvement in net cash accruals.

Outlook: Stable

Acuité believes that SVGPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and adequate revenue visibility. The outlook may be revised to 'Positive' in case of a significant improvement in its revenues while maintaining the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management, deterioration in financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	98.64	87.49
PAT	Rs. Cr.	0.46	0.20
PAT Margin	(%)	0.46	0.23
Total Debt/Tangible Net Worth	Times	1.47	1.61
PBDIT/Interest	Times	2.84	3.22

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

CRISIL ratings, vide its press release dated June 26, 2020 had denoted the rating of Sri Venkatesh Granites Private Limited as 'CRISIL BB; CRISIL A4+ Issuer not cooperating' on account of lack of adequate information required for monitoring of ratings.

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/criteria-complexity-55.htm>

***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	1.00	ACUITE BBB-/Stable (Assigned)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB-/Stable (Assigned)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Assigned)
Term Loan I	October 2017	10.40	June - 2022	2.50	ACUITE BBB-/Stable (Assigned)
Term Loan II	July 2019	10.45	May 2024	4.60	ACUITE BBB-/Stable (Assigned)
Term Loan III	December 2019	10.30	Not Applicable	1.75	ACUITE BBB-/Stable (Assigned)
Working Capital Term Loan I	August 2020	7.50	March 2025	3.30	ACUITE BBB-/Stable (Assigned)
Working Capital Term Loan II	August 2020	8.00	April 2022	1.30	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.55	ACUITE BBB-/Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-4929041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022- 67141160 rating.desk@acuite.in
Bhavani Nagidi Rating Analyst - Rating Operations Tel: 040-40042327 nagidi.bhavani@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL -II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.