

## Press Release

### Sri Venkatesh Granites Private Limited

September 01, 2021

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs.30.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB-/ Negative (Reaffirmed and Outlook revised)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and 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 revised from '**Stable**' to '**Negative**'.

### About the company

Telangana based Sri Venkatesh Granites Private Limited 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

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

### Rationale for Rating

The rating reaffirmation on the bank facilities of SVGPL factors in improvement in revenues and satisfactory profitability margins and moderate financial risk profile. These strengths are underpinned by its experienced management, established track record of operations. These strengths are partially offset by its marginal deterioration in financial risk profile owing to significant capex during FY21 and going forward due to increase in interest cost net profit is expected to decline. Further, in the last 12 months bank limits are fully utilized which depicts stretch in liquidity position; leading to revision of outlook from Stable to Negative.

## Key Rating Drivers

### Strengths

#### • Experienced management; Improvement in revenues and satisfactory profitability margins

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 revenues of the company have been improving over the review period from FY19-21. The revenues stood at Rs.112.49 Cr in FY21 as against Rs.98.64 Cr in FY20 and Rs.87.49 Cr in FY2019. The revenues improved owing to increase in orders from existing customers, addition of new clientele and also increase in domestic sales. The profitability margins of the company has remained satisfactory although declined by 48 bps, this is due to decrease in export sales proportion to total sales. The company has generated revenues of Rs.35 Cr for 4M of FY2021. Acuite 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 working capital management

The working capital management of the company stood moderate at GCA days of 124 days as on March 31, 2021 (Provisional) as against 129 days as on March 31, 2020. The debtor days stood at 26 days and 28 days as on March 31, 2021 (Provisional) and 2020 respectively. The inventory days stood at 63 days and 60 days as on March 31, 2021 (Provisional) and 2020 respectively. The creditor days stood at 48 days and 86 days as on March 31, 2021 (Provisional) and 2020 respectively. The working capital limits are almost 98 percent utilized for the last 12 months ended July 2021. Acuite believes that working capital is expected to

be moderate over the medium term.

## Weaknesses

### • Moderate financial risk profile

The financial risk profile of the company has remained moderate with moderate net worth, capital structure and debt protection metrics. The net worth of the company stood at Rs.23.07 Cr as on March 31, 2021 (Provisional) as against Rs.22.03 Cr in FY2020. The gearing has deteriorated to 2.52 times as on March 31, 2021 (Provisional) as against 1.47 times, due to increase in total debt levels on account of term loans for equipment and vehicle loans. Interest Coverage Ratio improved to 4.92 times as on March 31, 2021 (Provisional) as against 3.07 times as on March 31, 2020. Debt Service Coverage Ratio improved to 1.35 times as on March 31, 2021 (Provisional) as against 1.23 times as on March 31, 2020. The improvement in debt protection metrics is on account of increase in EBITDA in absolute terms. TOL/TNW stood at 2.83 times as on March 31, 2021 (Provisional) as against 1.99 times.

Acuite believes that the financial risk profile of the company is expected to remain moderate over the near to medium term on account of moderate cash accruals and absence of any significant debt-funded capex further.

### • 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:

- Lower than expected revenues and profitability
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

### Material Covenants: None

### Liquidity Position: Adequate

SVGPL has adequate liquidity marked by adequate net cash accruals as compared to its maturing debt obligations. SVGPL generated net cash accruals of Rs.9.69 Cr for FY2021 (Provisional) vis-à-vis maturing debt obligations of Rs.6.53 Cr over the same period. The cash accruals are estimated to be around Rs.10.00-13.00 Cr during FY2022-24 vis-à-vis repayment obligations in the range of Rs.8.50 Cr to Rs.6.60 Cr. SVGPL maintained unencumbered cash and bank balances of Rs.0.94 Cr as on March 31, 2021 (Provisional). The current ratio stood modest at 1.15 times as on March 31, 2021 (Provisional). The working capital limits of the company remained 95 utilized for the last twelve months ended July, 2021. Acuite believes that the company's liquidity is expected to remain adequate over the medium term.

### Outlook: Negative

Acuite believes that SVGPL will maintain a 'Negative' outlook over the medium term due to deterioration in financial risk profile owing to significant debt funded capex during FY21. Going forward, due to increase in interest cost net profits are expected to decline. Further, in the last 12 months bank limits are fully utilized which depicts stretch in liquidity position. The rating may be downgraded if there is a significant decline in the profitability leading to deterioration in liquidity profile. Conversely, the outlook may be revised to 'Stable' in case of significant improvement in its revenues, while maintaining the profitability margins and improvement in financial and liquidity profile.

## About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	112.49	98.64
PAT	Rs. Cr.	1.12	0.89
PAT Margin	(%)	1.00	0.90
Total Debt/Tangible Net Worth	Times	2.52	1.47
PBDIT/Interest	Times	4.92	3.07

**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/view-rating-criteria-55.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Sept-2020	Cash Credit	Long Term	1.00	ACUITE BBB-/Stable (Assigned)
	Packing Credit	Long Term	11.00	ACUITE BBB-/Stable (Assigned)
	Bill Discounting	Short Term	1.00	ACUITE A3 (Assigned)
	Term Loan I	Long Term	2.50	ACUITE BBB-/Stable (Assigned)
	Term Loan II	Long Term	4.60	ACUITE BBB-/Stable (Assigned)
	Term Loan III	Long Term	1.75	ACUITE BBB-/Stable (Assigned)
	Working Capital Term Loan – I	Long Term	3.30	ACUITE BBB-/Stable (Assigned)
	Working Capital Term Loan – II	Long Term	1.30	ACUITE BBB-/Stable (Assigned)
	Proposed Bank Facility	Long Term	2.55	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Assigned)

**\*Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Union Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB-/ Negative (Reaffirmed; Outlook Revised from Stable)
Union Bank of India	Packing Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB-/ Negative (Reaffirmed; Outlook Revised from Stable)
Union Bank of India	Bill Discounting	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)

Union Bank of India	Term Loan I	October 2017	10.40	June - 2022	0.96	ACUITE BBB-/ Negative (Reaffirmed; Outlook Revised from Stable)
Union Bank of India	Term Loan II	July 2019	10.45	May 2024	3.51	ACUITE BBB-/ Negative (Reaffirmed; Outlook Revised from Stable)
Union Bank of India	Term Loan III	December 2019	10.30	Not Available	1.75	ACUITE BBB- (Withdrawn)
Union Bank of India	Working Capital Term Loan I	August 2020	7.50	March 2025	3.13	ACUITE BBB-/ Negative (Reaffirmed; Outlook Revised from Stable)
Union Bank of India	Working Capital Term Loan II	August 2020	8.00	April 2022	0.60	ACUITE BBB-/ Negative (Reaffirmed; Outlook Revised from Stable)
Union Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.80	ACUITE BBB-/ Negative (Reaffirmed; Outlook Revised from Stable)

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## About Acuité Ratings & Research:

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