

Press Release

Gypelite India Private Limited

May 24, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	46.75	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	8.25	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	55.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A4**) to the Rs.55.00 Cr bank facilities of Gypelite India private limited (GIPL). The Outlook is '**Stable**'.

The rating assigned favorably factors of improving business risk profile marked by increased capacity utilization leading to higher revenue and its reputed client base.. The rating however is constrained by high working capital management and below-average financial risk profile.

About the Company

Gypelite India Private Limited (GIPL) was incorporated in 2015 and has its registered office in Nellore, Andhra Pradesh, India. The company is promoted by Mr. Ramesh Chowdary Janarthanam, Mr. Jayanthi Ramesh Chowdary and Mr. Dagubati Lakshmi Madhusuthan. The company is into manufacturing of gypsum boards by using gypsum powder and gypsum liners. GIPL has the installed capacity to produce 15,000 gypsum boards in a single day. GIPL also supplies gypsum powder to major construction companies like Larsen and toubro limited, Shapoorji Pallonji and company private limited amongst others

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Gypelite india private limited (GIPL) to arrive at the rating.

Key Rating Drivers

Strengths

Nascent stage of operations; yet adequate capacity to capture high demand

Gypelite india private limited (GIPL) has a production capacity of producing 15,000 boards in a single day. Production runs on the basis of orders received from the customers. Apart from

production and sale of gypsum boards, GIPL also involves in selling of Gypsum powder to other companies involving in the construction business. GIPL imports the Gypsum rock from Oman and Thailand and further process it into gypsum powder. GIPL sells all the products which are required in installing gypsum boards such as Wall putty , Bondit , Mesh , Channels. There has been an increased demand for gypsum board in commercial spaces such as shops, malls, hotels, and restaurants & offices. Gypsum boards are lightweight, which makes them easier to install. With gypsum boards, interior alterations and renovations become fast, easy, and cheaper as compared to traditional board & lath. Gypsum boards find wide applications in various industries such as power plants, refinery, cement industry, steel, and mining, among others. The India gypsum board market stood at Rs.2073.37 Cr in 2021 and is projected to grow at a compounded annual growth rate (CAGR) of 10.78 percent by 2027, owing to the rising number of residential buildings in which gypsum board is used as a construction material due to its properties like heat resistance, moisture preservation, sound absorbing and fire proofing. Acuite believes that GIPL will able to capture the increasing demand (with the installed capacity to produce 15,000 boards in a day) as they are currently producing around 9,000 - 11,000 boards in single day.

Reputed Client base

GIPL has started production from FY2020 and has well established client base across all the south Indian states. GIPL has established relations with some big players in the construction sector like Larsen and toubro limited , Shapoorji Pallonji and company private limited. GIPL supplies gypsum powder to shapoorji Pallonji company private limited, Amteco building materials private limited and others. Acuite believes that GIPL will continue to increase its client base as they have enough capacity to meet any high demand from clients

Weaknesses

Below-average financial risk profile

Financial risk profile of GIPL is below average marked by low net worth, high gearing and modest debt protection metrics. Net worth of the company stood at Rs. (2.64) Cr as on March 31, 2021 as against Rs (3.40) as on the previous year end. Gearing levels (adjusted Debt to equity) stood at (22.25) times as on March 31, 2021 as against (15.11) times on March 31, 2020. Interest coverage ratio stood at (0.04) times as on March 31, 2021 against (1.35) times on March 31, 2020. Total outside liabilities to total net worth (TOL/TNW) stood at (30.42) times as on March 31, 2021 against (24.26) times on March 31, 2020 . Acuite believes that financial risk position of GIPL will get marginally better FY2023 onwards on account of improving operations.

Working Capital Intensive

Working capital Management of the company remained high with GCA days of 882 as on March 31, 2021. Debtor days stood at 156days as on March 31, 2021 as against 98 days on March 31, 2020. The inventory days stood at 470 days on March 31, 2021 as against 753days on March 31, 2020. Inventory days are further estimated to decrease to 194days by March 31, 2022. Creditor days stood at 169days as on March 31, 2021 against 196days as on March 31, 2020 and estimated to reduce to 83days by March 31, 2022. Debtors' days for FY2021 stood at 156days. GIPL is having low current ratio as on March 31, 2021 of 0.83 times against 0.78times in FY2020; yet is estimated to improve to 1.26 times in FY2022. The bank limit utilization stood at 89.40 percent for the past 12 months ending February 2022. Acuite believes that the scale of operations of GIPL will remain working capital intensive because of nature of the business.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

Positives

- Improvement in scale of operations along with profitability margins.
- Improvement in GCA days

Negatives

- High Debt equity level
- low Interest Coverage Ratio

Material covenants

None

Liquidity Position: Poor

The liquidity position of the GIPL is considered as poor marked by its negative cash accrual levels, low current ratio. The cash and bank balances of the company are Rs.03 Cr and Rs.0.2 Cr for FY2021 and FY2022 respectively. Low current ratio in FY2021 of 0.83 times against 0.78times in FY2020; estimated to improve to 1.26 times in FY2022. The bank limit utilization stood at 89.40 percent for the past 12 months ending February 2022. Cash Accruals are insufficient to meet the maturing debt obligations in FY2022. Acuite believes that the financial risk profile of GIPL will get better from FY2023 due to increase in operating income and cash accruals

Outlook: Stable

Acuite believes that GIPL will maintain a stable outlook over the medium term owing to its improving operations. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while maintaining profitability margins, improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue, profit margins or deterioration in the financial risk profile and liquidity position

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	12.11	7.81
PAT	Rs. Cr.	(9.25)	(9.22)
PAT Margin	(%)	(76.36)	(117.98)
Total Debt/Tangible Net Worth	Times	(26.00)	(21.18)
PBDIT/Interest	Times	(0.04)	(1.35)

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

None

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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE B+ Stable Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	8.68	ACUITE B+ Stable Assigned
State Bank of India	Not Applicable	Funded Interest Term Loan	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE B+ Stable Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE A4 Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	26.00	ACUITE B+ Stable Assigned
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.52	ACUITE B+ Stable Assigned

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About Acuité Ratings & Research

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