

Press Release
GYPELITE INDIA PRIVATE LIMITED
August 17, 2023
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	49.15	ACUITE B+ Stable Reaffirmed	-
Bank Loan Ratings	5.85	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	55.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of 'ACUITE B+' (read as ACUITE B plus) and short term rating of 'ACUITE A4' (read as ACUITE A Four) to the Rs.55.00 Cr bank facilities of Gypelite India Private Limited (GIPL). The Outlook is 'Stable'.

Rationale for rating reaffirmation:

The rating reaffirmation factors in the improving operating performance of GIPL. The company's revenue has recorded 127 percent YOY growth during FY23(Provisionals) as it stood at Rs.75.85Cr as against Rs.33.43Cr in FY22. EBITDA margin of the company has declined to 9.35 percent during FY23 (Prov.) from 11.00 percent in the previous year. GIPL has taken steps in order to improve the EBITDA margins by adapting more efficient processes and products which improves overall productivity and reduces wastages. The ratings are, however below average financial risk profile and susceptibility of margins to raw material price fluctuations. Going forward, the company's ability to sustain the growth in revenue while improving profitability and achieving breakeven in its operations will be a key rating monitorable.

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

Improving operations with adequate capacity to capture high demand

Gypelite India Private Limited (GIPL) currently has production capacity of 16,000 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 involved in the construction business. GIPL has shown significant growth in its operating income during FY23, the company has reported revenue of Rs.75.85Cr during FY23 (Prov.) with a 127 percent YoY growth against Rs.33.43Cr of previous year. The growth in revenue is on account of improved marketing and distribution relations. India Gypsum Board market is valued at INR 2284.44 Crore in 2022 and is anticipated to project robust growth in the forecast period with a CAGR of 9.81% through 2028, 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 be able to capture the increasing demand (the production capacity can be increased upon increasing the speed of belt) as they are currently producing around 15,000- 16,000 boards in single day.

Going forward, the company is expected to achieve break-even by FY24 and EBITDA margins are likely to improve as the raw material prices reduced after March, 2023 and company has revised its pricing policy for the products.

Moderate working capital operations:

Working capital operation of the company are moderately intensive which is evident from the Gross Current Asset days (GCA) days of 152 during FY23 (Prov.) improved from 270 days during previous year. Inventory holding days stood at 71 during FY23 (Prov.) against 200 days in previous year. GIPL generally maintains its main raw material - Gypsum rock inventory required for 3 months, and the other raw materials for 2 months, and the finished goods for 20 days. Debtor days stood at 31 days during FY23 (Prov.) against 10 days in previous year. GIPL allows credit period of 30 days to its customers and repays its creditors within 30 days. High inventory holding period resulted in fully utilization of its fund based working capital facilities of Rs.9.50Cr during the past 12 months ending June 2023. Besides current ratio of the company was below unity at 0.98 times for FY23.

Acuite believes that working capital operations of the company will remain moderately intensive in the medium term.

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. (6.80) Cr as on March 31, 2023 (Prov.) as against Rs (4.80) as on the previous year. Gearing levels of the company stood at (8.51) times as on March 31, 2023 (Prov.) as against (11.43) times on March 31, 2022. Gearing levels are expected to improve in the medium term on account of infusion of equity capital and expected reduction in debt with no plans of major capex. Debt protection metrics of the company healthy with Interest coverage ratio stood of 2.68 times and Debt service coverage ratio of 1.73 times as on March 31, 2023 (Prov.). Total outside liabilities to total net worth (TOL/TNW) stood at (10.59) times as on March 31, 2023 (Prov.). Debt to EBITDA stood high at 8.12 times as on March 31, 2023 (Prov.). Acuite believes that financial risk position of GIPL will get marginally better FY24 onwards on account of improving operations.

Susceptibility of margins to fluctuations in raw material prices and cyclicity in construction sector:

Indian gypsum board industry is largely fragmented and faces stiff competition from established domestic players which sometimes results in lower price quotations for the customers and yields less margins. Further more, the performance is susceptible to cyclicity in the end user industries. GIPL products such as gypsum boards and gypsum powder are mainly used in construction sector, which is susceptible to the seasonal cyclicity and any adverse weather conditions may effect the demand and supply of gypsum boards.

Rating Sensitivities

- Improvement in scale of operations along with profitability margins.
- Improvement in financial risk profile.

Material covenants

None

Liquidity Position

Stretched

Liquidity position of GIPL is stretched with tightly matching Net Cash Accruals (NCA's) against the repayment obligations. The company has registered NCA of Rs.5.26Cr as on March 31, 2023 (Prov.) against its repayment obligations of 1.91. GIPL is expected to report NCA's in the range of Rs.7.5Cr – 11Cr with expected debt repayment in the range of Rs.6.07Cr to 7.1Cr in the medium term. Working capital operations of the company are moderately intensive with GCA days of 152 days and current ratio of 0.98 times. The fund based working capital limits have been fully utilized during the past 12 months ending June, 2023.

Going forward, liquidity position of the company is expected to be stretched, with majority of the term loan repayment starting from June 2023 the company is expected to report tightly matching NCA's against debt obligations.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	75.87	33.43
PAT	Rs. Cr.	(2.00)	(7.15)
PAT Margin	(%)	(2.64)	(21.40)
Total Debt/Tangible Net Worth	Times	(8.51)	(11.43)
PBDIT/Interest	Times	2.68	1.34

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Jul 2023	Covid emergency line	Long Term	8.68	ACUITE B+ (Issuer not co-operating*)
	Proposed Bank Facility	Short Term	4.25	ACUITE A4 (Issuer not co-operating*)
	Working Capital Term Loan	Long Term	1.52	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	26.00	ACUITE B+ (Issuer not co-operating*)
	Cash Credit	Long Term	9.50	ACUITE B+ (Issuer not co-operating*)
	Funded Interest Term Loan	Long Term	1.05	ACUITE B+ (Issuer not co-operating*)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Issuer not co-operating*)
24 May 2022	Proposed Bank Facility	Short Term	4.25	ACUITE A4 (Assigned)
	Term Loan	Long Term	26.00	ACUITE B+ Stable (Assigned)
	Funded Interest Term Loan	Long Term	1.05	ACUITE B+ Stable (Assigned)
	Working Capital Term Loan	Long Term	1.52	ACUITE B+ Stable (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	9.50	ACUITE B+ Stable (Assigned)
	Covid emergency line	Long Term	8.68	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.50	ACUITE B+ Stable Reaffirmed
State Bank of India	Not Applicable	Funded Interest Term Loan	Not available	Not available	Not available	Simple	1.06	ACUITE B+ Stable Reaffirmed
State Bank of India	Not Applicable	Funded Interest Term Loan	Not available	Not available	Not available	Simple	11.19	ACUITE B+ Stable Reaffirmed
State Bank of India	Not Applicable	Funded Interest Term Loan	Not available	Not available	Not available	Simple	11.33	ACUITE B+ Stable Reaffirmed
State Bank of India	Not Applicable	Funded Interest Term Loan	Not available	Not available	Not available	Simple	7.09	ACUITE B+ Stable Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A4 Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.85	ACUITE A4 Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	4.02	ACUITE B+ Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	3.52	ACUITE B+ Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.44	ACUITE B+ Stable Reaffirmed

- GECL- 1 of Rs.4.02Cr is referred as Working capital Term loan,
- GECL-2 of Rs.3.52Cr is referred as Working capital Term loan.

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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