



Press Release
Gypelite India Private Limited
April 17, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.00	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	46.67	ACUITE B+ Stable Reaffirmed	-
Bank Loan Ratings	8.33	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	59.00	-	-

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**'.

Acuite has also assigned its short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on Rs.4.00 Cr. additional proposed bank facilities of Gypelite India Private Limited (GIPL).

Rationale for rating reaffirmation and assigned:

The rating reaffirmation and assignment factors in improved operating revenue in FY2023, moderately intensive working capital operations, below average financial risk profile and poor liquidity position of GIPL. The company registered revenue of Rs.79.09 Cr. in FY23 implying a growth rate of 136 percent as compared to previous fiscal supported by improved marketing and distribution relations. However, in FY24 revenue is estimated to moderate in the range of Rs.67-70 Cr. due to sluggish production led by change in production process in Q1FY24. Operating profit margin improved to 13.19 percent in FY23 and is further expected to improve because of GIPL's adaptation of efficient production processes. The ratings are, however constrained by below average financial risk profile, poor liquidity position and susceptibility of margins to raw material price fluctuations.

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.

Unsupported Rating

Not Applicable

Acuité has considered the standalone business and financial risk profile of Gypelite India Private Limited (GIPL) to arrive at the rating.

Key Rating Drivers

Strengths

Improvement in scale of operations with adequate capacity to capture high demand:albeit moderation in FY24

.Gypelite India Private Limited (GIPL) currently has production capacity of 16,000 boards perday. Production runs on the basis of orders received from the customers. Apart from production and sale of gypsum boards, GIPL is also into 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.79.09 Cr. during FY23 with a 136 percent YoY growth against Rs.33.43 Cr. of FY22. The growth in revenue is on account of improved marketing and distribution relations. However, the revenue is estimated to moderate in FY24 to Rs.70 Cr. due to changes in production process.

Further, the Indian Gypsum Board market is valued at USD 360 million in 2023 and is anticipated to project robust growth in the forecast period with a CAGR of 12.7% through 2030, 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 (the production capacity can be increased upon increasing the speed of belt) as they are currently producing around 15,000- 16,000 boards per day.

Moderately intensive working capital operations:

Working capital operation of the company are moderately intensive which is evident from the Gross Current Asset days (GCA) days of 159 during FY23 improved from 270 days during previous year. Inventory holding days stood at 89 during FY23 against 200 days in previous year. GIPL generally maintains its main raw material i.e. Gypsum rock inventory required for 3 months, other raw materials for 2 months and finished goods for 20 days. Debtor days stood at 37 days during FY23 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 full utilization of its fund based working capital facilities of Rs.9.50 Cr. during the past 12 months ending February 2024. Besides, the current ratio of the company stood average at 1.11 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 the company is below average marked by low net worth, high gearing and moderate debt protection metrics. Company's net worth stood at Rs. (3.44) Cr. as on March 31, 2023 as compared to Rs. (4.80) Cr as on March 31, 2022. Negative net worth is because of accumulated losses of previous years. GIPL's capital structure is below average marked with high gearing and total outside liabilities to total net worth (TOL/TNW) of -16.85 times and -21.00 times respectively as on March 31, 2023 as against 0.94 times and 2.11 times as 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 major capex plans. The coverage indicators improved during FY23 with DSCR of 2.53 times as on March 31st 2023 as against 1.88 times as on March 31st 2022. Interest coverage stood at 4.00 times as on March 31st 2023 as against 1.34 times as on March 31st 2022. Debt to EBITDA has also improved yet remained high at 5.44 times during FY23 from 14.18 times during previous year. The improvement is because of increase in absolute EBITDA.

Acuite believes that the financial risk profile of the company will improve marginally on

account of expected growth in scale of operations, however, remain average over the medium term.

Susceptibility of margins to fluctuations in raw material prices and cyclicality 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. Furthermore, the performance is susceptible to cyclicality in the end user industries. GPL products such as gypsum boards and gypsum powder are mainly used in construction sector, which is susceptible to the seasonal cyclicality and any adverse weather conditions may affect the demand and supply of gypsum boards.

Rating Sensitivities

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

Liquidity Position: Poor

GPL's liquidity position is poor which is evident from the continuous over utilization of the fund based working capital limits. The fund based working capital limits were utilized at an average of ~102 percent during the past 12 months ending February, 2024. Besides, company's has nil unencumbered cash and bank balances as on March 31, 2023. However, the company has sufficient net cash accruals (NCA) to meet the debt repayment obligations. The company has reported Net Cash Accruals (NCA's) of Rs.8.87 Cr. on March 31, 2023 against debt repayment obligations of Rs.1.91 Cr. Going forward the cash accruals are estimated to remain in the range of Rs.9-16 Cr. in the medium term against expected moderate debt repayment in the range of Rs.6-7 Cr. during the same period. Acuite believes that liquidity position of the company will improve in the medium term on account of sufficient NCA generation.

Outlook: Stable

Acuite believes that GPL will maintain a 'stable' outlook over the medium term owing to its improving scale of operations. The outlook may be revised to 'Positive' in case the company registers higher than expected 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 any decline in revenue, profit margins or further deterioration in the financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	79.90	33.43
PAT	Rs. Cr.	1.36	(7.15)
PAT Margin	(%)	1.70	(21.40)
Total Debt/Tangible Net Worth	Times	(16.85)	(11.43)
PBDIT/Interest	Times	4.00	1.34

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
17 Aug 2023	Funded Interest Term Loan	Long Term	1.06	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	9.50	ACUITE B+ Stable (Reaffirmed)
	Funded Interest Term Loan	Long Term	11.19	ACUITE B+ Stable (Reaffirmed)
	Funded Interest Term Loan	Long Term	11.33	ACUITE B+ Stable (Reaffirmed)
	Funded Interest Term Loan	Long Term	7.09	ACUITE B+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.02	ACUITE B+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.52	ACUITE B+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.44	ACUITE B+ Stable (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	1.85	ACUITE A4 (Reaffirmed)
14 Jul 2023	Term Loan	Long Term	26.00	ACUITE B+ Not Applicable (Reaffirmed & Issuer not co-operating*)
	Funded Interest Term Loan	Long Term	1.05	ACUITE B+ Not Applicable (Reaffirmed & Issuer not co-operating*)
	Covid Emergency Line.	Long Term	8.68	ACUITE B+ Not Applicable (Reaffirmed & Issuer not co-operating*)
	Working Capital Term Loan	Long Term	1.52	ACUITE B+ Not Applicable (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	9.50	ACUITE B+ Not Applicable (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Proposed Short Term Bank Facility	Short Term	4.25	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
24 May 2022	Cash Credit	Long Term	9.50	ACUITE B+ Stable (Assigned)
	Working Capital Term Loan	Long Term	1.52	ACUITE B+ Stable (Assigned)
	Covid Emergency Line.	Long Term	8.68	ACUITE B+ Stable (Assigned)
	Funded Interest Term Loan	Long Term	1.05	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	26.00	ACUITE B+ Stable (Assigned)
	Proposed Short Term Bank Facility	Short Term	4.25	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A4 (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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.50	ACUITE B+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Funded Interest Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2030	Simple	11.17	ACUITE B+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Funded Interest Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2030	Simple	11.13	ACUITE B+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Funded Interest Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2030	Simple	7.02	ACUITE B+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Funded Interest Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jul 2025	Simple	0.80	ACUITE B+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A4 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE B+ Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.33	ACUITE A4 Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Aug 2025	Simple	2.66	ACUITE B+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jul 2026	Simple	3.04	ACUITE B+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jul 2028	Simple	1.35	ACUITE B+ Stable Reaffirmed

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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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