

Press Release

Sairam Stone Crusher

September 20, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	17.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.17.00 Cr. bank facilities of Sairam Stone Crusher (SSC). The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating assigned takes into consideration the established track record of operations of the firm and the extensive experience of its partners in the industry. These strengths of the firm are partially offset by its below average financial risk profile and working capital intensive nature of operations. Going forward, significant and sustainable improvement in its operating income while maintaining its profitability margins and capital structure and improvement in its working capital cycle will be a key rating monitorable.

About the Firm

Pune based Sairam Stone Crusher was established as a partnership firm in 2011. The firm is managed by partners Mr. Sagar Zurunge, Mr. Kiran Sakore, Mr. Dattatray Zurunge, Mr. Moreshwar Sakore, Mr. Sampat Sakore, and Ms. Sulochana Zurunge. The firm is engaged in crushing of stones which are sold to infra developers, government departments and dealers for use in various construction works of road building, setting up of railway tracks and other construction works.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of SSC to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

SSC was established as a partnership firm in the year 2011. The firm is managed by partners Mr. Sagar Zurunge, Mr. Kiran Sakore, Mr. Dattatray Zurunge, Mr. Moreshwar Sakore, Mr. Sampat Sakore, and Ms. Sulochana Zurunge, who have been engaged in this industry for more than a decade. The management's experience has helped SSC to maintain healthy relationship with

customers like J Kumar Infra Projects Limited. Majority of the top ten customers have been associated with the firm for almost a decade.

The revenue of the firm stood at Rs.33.88 crore in FY2022(prov.) registering a growth of ~43 percent YoY compared to revenue of Rs.23.74 crore in FY2021 and Rs.29.59 crore revenue in FY2020. The operating profit margins stood at 18.07% in FY2022(prov.) as against 20.73% in FY2021 and 17.27% in FY2020.

Acuité believes that the partners' experience will support in improvement of SSC's business risk profile over the medium term.

Weaknesses

Below Average Financial Risk Profile

SSC has below average financial risk profile marked by moderate networth, high gearing and modest debt protection metrics. The tangible net worth of the firm stood at Rs.13.99 crore as on 31 March, 2022(prov.) as against Rs.8.76 crore as on 31 March, 2021 and Rs. 10.55 crore as on 31 March 2020. The gearing level of the firm stood at 2.08 times as on 31 March, 2022(prov.) as against 2.13 times as on 31 March, 2021 and 1.87 times as on 31 March 2020. The total debt outstanding of Rs.29.11 crore consists of working capital borrowings of Rs.6.77 crore, unsecured loan from partners/related parties of Rs.0.98 crore and term loan obligations of Rs.21.36 crore as on 31 March, 2022. The total outside liabilities to tangible net worth (TOL/TNW) of the firm stood at 2.82 times as on March 31, 2022(prov.) as against 4.04 times as on March 31, 2021 and 3.23 times as on March 31, 2020. The coverage ratios of the firm are modest marked by an Interest Coverage Ratio (ICR) of 3.07 times for FY2022(prov.) as against 2.29 times for FY2021 and 2.68 times for FY2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.14 times for FY2022(prov.) as against 0.15 times for FY2021 and 0.16 times for FY2020.

Acuite believes improvement in SSC's financial risk profile over the medium term will remain a key rating monitorable

Working Capital Intensive Nature of Operations

The operations of the firm are working capital intensive marked by high GCA days of 208 days for FY2022(prov.) as against 267 days in FY2021 and 212 days in FY2020. The high GCA days are high majorly on account of high debtor days of 175 days for FY2022(prov.) as against 242 days for FY2021 and 192 days for FY2020. The inventory days are low at 15 days for FY2022(prov.) against 13 days for FY2021 and 8 days for FY2020. The creditor days of the firm stood at 875 days for FY2022(prov.) as against 830 days for FY2021 and 471 days for FY2020. The average utilization of the working capital limits of the firm remained on the higher side as it ranged between 79-91 percent in FY2022.

Rating Sensitivities

- Significant improvement in scale of operations and capital structure while maintaining the profitability margins,
- Further elongation of working capital cycle leading to an increase in reliance on working capital borrowings and stretched liquidity position

Material covenants

None

Liquidity Position: Stretched

SSC has stretched liquidity position marked by modest net cash accruals against its maturing debt obligations. The firm generated net cash accruals of Rs.4.16 crore in FY2022(prov.) compared against maturing debt obligations of Rs.4.18 crore for the same period. The cash accruals of SSC are estimated to remain around Rs.5.08-5.87 crore during 2022-24 period while its matured debt obligations is estimated to be in the range of 4.5-5.25 crore during the same period. The average utilization of its working capital limits remained on the higher side, in

between 79-91 percent for FY2022. Furthermore, SSC maintains unencumbered cash and bank balances of Rs.0.03 crore as on March 31, 2022(prov.) and the current ratio also stood at 0.90 times as on March 31, 2022(prov.).

Outlook: Stable

Acuite believes that SSC will maintain a "Stable" outlook over the medium term on account of its experienced management and established track record of operations.. The outlook may be revised to "Positive", if the firm demonstrates substantial and sustained growth in its revenues while maintaining its capital structure. Conversely, the outlook may be revised to "Negative", if firm generates lower-than anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	33.88	23.74
PAT	Rs. Cr.	2.81	1.25
PAT Margin	(%)	8.31	5.26
Total Debt/Tangible Net Worth	Times	2.08	2.13
PBDIT/Interest	Times	3.07	2.29

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>
- 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
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.35	ACUITE BB- Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	4.16	ACUITE BB- Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.99	ACUITE BB- Stable Assigned

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About Acuité Ratings & Research

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