



Press Release
Sairam Stone Crusher
November 29, 2023
Rating Upgraded

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

Rating Rationale

Acuite has upgraded the long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) from '**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 upgrade

The rating upgrade is on account of improvement in the business and financial risk profile marked by increase in the revenue and operating margins. The revenue recorded an improvement in FY2023 of Rs.59.63 Cr as against Rs.33.74 Cr in FY2022. Furthermore, the EBITDA margin of the firm also improved to 16.72 percent in FY2023 as against 14.79 percent in FY2022. This is majorly on account of reduction in power cost and due to the cost savings generated on usage of its own transport for supply of the material. Further, the rating also takes into consideration the long-standing relationship with customers, the moderate financial risk profile of the firm along with adequate liquidity position. However, the rating is constrained from intensive working capital operations.

About the Company

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.

Unsupported Rating

Not Applicable

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, Godrej & Boyce and among others. Majority of

the top ten customers have been associated with the firm for almost a decade. Acuite believes that the partners' experience will support in improvement of SSC's business risk profile over the medium term.

Improvement in operating performance

The firm witnessed a significant improvement in its scale of operations marked by operating income of Rs.59.63 Cr in FY2023 as against Rs. 33.74 Cr in FY2022, registering a y-o-y growth of ~77% mainly due to increase in demand. The firm generates 30% revenue from builders and infra developers, 30% through dealers and 40% through government departments. Further, the EBITDA margins also improved to 16.72 percent in FY2023 as against 14.79 percent in FY2022 majorly on account of reduction in power cost and due to the cost savings generated on usage of its own transport for supply of the material.. Also, the PAT margin improved to 5.63 percent in FY2023 vis-à-vis 5.43 percent in FY2022. Further, the firm has achieved Rs.40 Cr till October 2024 and is expected to achieve around Rs.80 Cr for FY2024.

Moderate Financial Risk Profile

SSC has moderate financial risk profile marked by moderate net worth, moderate gearing and debt protection metrics. The tangible net worth of Rs.15 crore as on 31 March, 2023 as against Rs.12 crore as on 31 March, 2022. The gearing level of the company stood at 1.91 times as on 31 March, 2023 as against 2.35 times as on 31 March, 2022. The total debt outstanding of Rs.28.28 crore consists of working capital borrowings of Rs.7.52 crore, unsecured loan from promoters of Rs.2.26 crore, term loan obligations of Rs.15.50 crore and CPLTD of Rs.3.00 Cr as on 31 March, 2023. The coverage ratios of the company are moderate with Interest Coverage Ratio (ICR) of 4.01 times for FY2023 as against 2.71 times for FY2022. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.43 times for FY2023 as against 0.83 times for FY2022. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 3.05 times as on March 31, 2023 as against 3.30 times as on March 31, 2022. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.27 times for FY2023 as against 0.11 times for FY2022.

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

Weaknesses

Working capital intensive operations

Company has improved yet remain intensive working capital operations as evident from high GCA days of 170 days for FY2023 as against 211 days in FY2022. The high GCA days are high majorly on account of high debtor days of 150 days for FY2023 as against 177 days for FY2022. The inventory days are low at 05 days for FY2023 as against 03 days for FY2022. The creditor days of the company stood at 279 days for FY2023 as against 360 days for FY2022. Credit period offered to infra developers is around 30 to 60 days, however payment gets delayed sometimes. Payment from dealers is received immediately and credit period for government department is around 45 days. Further, the average utilization of the working capital limits of the company remained at ~80 percent for the last 10 months ended October 2023.

Acuite believes that the working capital requirement is likely to remain at similar levels in the near to medium term.

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

All Covenants

Not Available

Liquidity Position

Adequate

The firm's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The firm has net cash accruals in the range of Rs.2.78-7.51 Crore from FY 2021- 2023 against its maturing debt obligations in the range of Rs.3.00-4.50 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.10.80-14.31 crores against the maturing repayment obligations of around Rs.2.43-2.70 crore over the medium term. The working capital management of the firm is intensive marked by GCA days of 170 days in FY2023 as against 211 days in FY2022. The firm maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2023. The current ratio stands at 1.01 times as on March 31, 2023 as against 0.85 times as on March 31, 2022. Average bank limit utilization for fund-based limits stood at ~80 percent for the last 10 months ended October 2023.

Acuité believes that going forward the firm will maintain adequate liquidity position due to steady accruals.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	59.63	33.74
PAT	Rs. Cr.	3.36	1.83
PAT Margin	(%)	5.63	5.43
Total Debt/Tangible Net Worth	Times	1.91	2.35
PBDIT/Interest	Times	4.01	2.71

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>
- 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
20 Sep 2022	Term Loan	Long Term	4.16	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	8.50	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	1.99	ACUITE BB- Stable (Assigned)
	Proposed Bank Facility	Long Term	2.35	ACUITE BB- 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
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.50	ACUITE BB Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.83	ACUITE BB Stable Upgraded
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.73	ACUITE BB Stable Upgraded
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.94	ACUITE BB Stable Upgraded

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Siddharth Shah Analyst-Rating Operations Tel: 022-49294065 siddharth.shah@acuite.in	

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.