

## Press Release

Solution 1 Interiors India Private Limited

D-U-N-S® Number: 87-222-4841

December 14, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 5.50 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 5.50 crore bank facilities of Solution 1 Interiors India Private Limited (SIPL). The outlook is '**Stable**'.

SIPL was incorporated in 2007 by Mr. Sudhakar Shetty and Mr. Santosh Shetty. The company is based at Mumbai and undertakes interior decoration contracts and caters to luxury hotels, business hotels, restaurants, banks, corporates offices and resorts. Some of the clients of SIPL includes Hotel Sahara Star, Ramada, Axis Bank, Daicec project (Reliance) to name a few.

### Analytical Approach

Acuite has considered standalone business and financial risk profile of SIPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The Promoters have an experience of over a decade in the interior designing industry. SIPL backed by its experienced management has developed healthy relations and has successfully accomplished projects for reputed clientele such as Hotel Ramada, Hotel Sahar Star, Hotel Marriot and Axis Bank to name a few.

- **Moderate scale of operations with moderate profitability**

The scale of operations of SIPL is moderate marked by operating income of Rs.26.55 crore in FY2018 (PY: Rs.18.33 crore) being into same line of business for more than a decade. Further, SIPL has registered revenues of Rs.~18.00 crore for the period April to October, 2018. The unexecuted order book position stands at Rs.52.94 crore from reputed customers such as Brigade Hotel Ventures, City Hotel Limited, Samsung C&T, Gandhinagar Railway & Urban Development Corporation Limited to be executed over the near to medium term. The profitability is moderate marked by operating profit margins at 8.10 percent in FY2018 (PY: 7.38 percent). The margins have improved on account of decline in other manufacturing cost as a percentage of total sales in FY2018 over FY2017. The net profitability margins stood improved at 4.23 percent in FY2018 (PY: 2.53 percent). The net profitability has improved on account of improvement in operating profit levels coupled with decline in depreciation cost in FY2018 over FY2017.

- **Average financial risk profile**

The financial risk profile of SIPL is average marked by moderate coverage indicators and net worth. The tangible net worth stood at Rs.7.07 crore as on 31 March, 2018 (PY: Rs.6.06 crore) on account of moderate accretion to reserves. The leverage and coverage ratios continue to remain moderate. The gearing remained low at 0.22 times as on March 31, 2018 against 0.26 times as on March 31, 2017. The moderate profitability coupled with low gearing levels have resulted in healthy debt protection metrics, with interest coverage of 7.83 times and NCA/TD of 0.99 times for FY2018. The TOL/TNW ratio remained moderate at around 1.22 times as on March 31, 2018 (PY: 1.05 times) on account of high

trade payables. In FY2018, net cash accruals stood at Rs.1.50 crore against debt repayment obligation of Rs.0.56 crore. Acuite believes that the financial risk profile of SIPL will remain comfortable over the medium term on account of healthy generation of net cash accruals.

### Weaknesses

#### • Working capital intensity

The operations of SIPL have remained working capital intensive marked by high Gross Current Asset (GCA) days of 165 in FY2018 (PY: 200 days). The GCA days have improved on account of better realisations from inventory in FY2018 over FY2017. The inventory days stood at 61 days in FY2018 (PY: 127 days). The receivable days have stretched to 70 days in FY2018 (PY: 40 days), this was on account of majority of the turnover booked in the month of March, 2018. The company's customer base mainly includes hotels, resorts and corporates. These companies release money after the approval of some agencies such as Architect and Project Management Contracts (PMC) for quality checks. Therefore, there is usually a significant time lag in realisation of receivables which further results in delayed payments to suppliers. The average bank limit utilisation stood at 52 percent for the last six months ended October, 2018. Acuite believes that the operations of SIPL will remain working capital intensive on account of the civil industry where high inventory holding period and receivables are inherent.

#### • Competitive and fragmented industry

SIPL operates in a highly competitive and fragmented industry characterised by large number of organised as well as unorganised players affecting profitability margins.

### Outlook: Stable

Acuite believes that SIPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	26.55	18.33	19.82
EBITDA	Rs. Cr.	2.15	1.35	1.45
PAT	Rs. Cr.	1.12	0.46	0.71
EBITDA Margin	(%)	8.10	7.38	7.33
PAT Margin	(%)	4.23	2.53	3.58
ROCE	(%)	22.97	12.76	34.29
Total Debt/Tangible Net Worth	Times	0.22	0.26	0.39
PBDIT/Interest	Times	7.83	7.08	5.78
Total Debt/PBDIT	Times	0.68	1.10	1.41
Gross Current Assets (Days)	Days	165	200	203

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Service Sector Entities - <https://www.acuite.in/view-rating-criteria-8.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE BB- / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.90	ACUITE A4+

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**About Acuité Ratings & Research:**

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