

Press Release

Solution 1 Interiors India Private Limited

December 26, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.60	ACUITE B+ Stable Reaffirmed	-
Bank Loan Ratings	2.90	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	5.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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. 5.50 crore bank facilities of Solution 1 Interiors India Private Limited (SIPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating takes into account the continuous deterioration of revenues over the years. The operations of the company remained impacted majorly on account of covid-19 pandemic which led to less execution of orders during the period. The rating also factors in the experience management of the company along with reputed clientele. However, the rating is constrained by moderate financial risk profile and stretched liquidity position of the company.

About the Company

Solution 1 Interiors India Private Limited 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 Solution 1 Interiors India Private Limited 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

Incorporated in 2007 by Mr. Sudhakar Shetty and Mr. Santosh Shetty who have an experience of more than a decade in the interior designing industry. The company is engaged in turnkey

interior contracting services for Hotels, Restaurants, Corporate offices, Villas etc all over India and other countries like Nepal, Zambia, USA, South Africa. The experienced management has helped the company to established 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. The company has its own manufacturing unit for few carpentries and civil work like plumbing, air conditioning etc and outsources other manufacturing processes to local vendors.

Acuité believes that the company will continue to receive benefits from the experienced management of the company over the medium term.

Weaknesses

Deterioration in operating performance

The operating performance of the company continuously witness deterioration in last three years. The revenues of the company stood at Rs.23.34 crore in FY22 against Rs.31.00 crore in FY21 and Rs.50.94 crore respectively. Due to the muted demand due to covid induced lockdown for the company's goods and services, the operations of the company were impacted. The operating profit margin of the company remain at moderate level of 8.54 percent in FY22 compared against 8.64 percent in FY21. Also, the PAT margins stood at 4.20 percent in FY22 as against to 4.89 percent in FY21.

Acuité believes that the improvement in operations of the company will remain a key rating sensitivity going ahead.

Moderate financial risk profile

The financial risk profile of the company continues to remain moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The total debt of the company stood at Rs. 2.98 crore as on 31st March 2022 as against 3.48 crore as on 31st March 2021. The total debt profile of the company comprises of Rs.0.45 crore of longterm debt, Rs. 2.19 crore of short-term debt and Rs. 0.01 crore of unsecured loans. The gearing of the company remained low at 0.23 times as on 31st March 2022 and stood at 0.28 times as on 31st March 2021. Total outside liabilities to total networkth stood at 0.60 times as on 31st March 2022 as against 1.14 times as on 31st March 2021. Furthermore, the debt protection metrics of the company are moderate with debt service coverage ratio of 2.52 times in FY22 as against 3.49 times in FY21. The Interest coverage ratio also stood at 5.28 times in FY22 as against 7.31 times in FY21.

Acuité believes that the financial risk profile of the company will continue to remain moderate with moderate expected profitability over the medium term.

Working capital intensive in nature with elongated receivable days

The operations of the company are working capital intensive in nature marked by high GCA days of 251 days for FY2022 compared against 246 days for FY2021. The high GCA days was majorly account of high receivable days. Despite improvement, the receivable days of the company remained high at 87 days in FY2022 as against 119 days in FY2021. The inventory days of the company remained at 49 days and creditor days stood at 135 days for FY2022.

Rating Sensitivities

- Elongation in working capital cycle
- Improvement in operations and profitability

Material covenants

None

Liquidity Position

Stretched

The liquidity position of the company is stretched on account of working capital-intensive nature of operations. The operations of the company are working capital intensive marked by high GCA days of 251 days for FY2022 compared against 246 days for FY2021. The high GCA days was majorly account of high receivable days. The company has a debtor collection period of 87 days in FY2022 as against 119 days in FY2021. Furthermore, the average bank limits of fund based facilities remained utilized at 80.11% for 6 months ended October. The company is however generating sufficient net cash accruals as against the debt repayment obligation. Net cash accruals of the company stood at Rs. 1.32 crore in FY22 as against repayment obligation of Rs. 0.29 crore. The company maintains a cash balance of Rs.0.01 crore as on 31st March 2022. Acuité believes that liquidity position of the company will continue to remain stretched over the medium term on account of working capital intensive nature of operations.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	23.34	31.00
PAT	Rs. Cr.	0.98	1.52
PAT Margin	(%)	4.20	4.89
Total Debt/Tangible Net Worth	Times	0.23	0.28
PBDIT/Interest	Times	5.28	7.31

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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, Acuité 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
28 Jul 2022	Proposed Bank Guarantee	Short Term	1.90	ACUITE A4 (Issuer not co-operating*)
	Secured Overdraft	Long Term	2.60	ACUITE B+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Issuer not co-operating*)
29 Apr 2021	Proposed Bank Guarantee	Short Term	1.90	ACUITE A4 (Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Issuer not co-operating*)
	Secured Overdraft	Long Term	2.60	ACUITE B+ (Issuer not co-operating*)
11 Feb 2020	Bank Guarantee	Short Term	1.00	ACUITE A4 (Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	1.90	ACUITE A4 (Issuer not co-operating*)
	Secured Overdraft	Long Term	2.60	ACUITE B+ (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A4 Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.90	ACUITE A4 Reaffirmed
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.60	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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