

Purewal Stone Crusher

Instrument	Current Rated Amount (In Rs. crore)	Rating Action As on March 2016
Fund Based Limits- Long Term	8.60	[ICRA]B; reaffirmed
Unallocated- Long Term	0.40	[ICRA]B; reaffirmed
Total	9.00	

ICRA has reaffirmed its long term rating of [ICRA]B (pronounced ICRA B) on the Rs. 8.60 crore¹ fund based bank facilities and Rs. 0.40 crore unallocated limits of Purewal Stone Crusher (PSC)².

PSC commenced operations from March 2015, however, its capacity utilisation was low as the plant was closed from April 2015 to August 2015 due to legal issues related to stock disclosures and pollution control certificate. While the firm's operating income was low, given the firm's low overhead costs it reported healthy operating margins for its operations in part of FY2016.

ICRA's rating continues to take into account PSC's limited track record of operations, small scale of operations and high level of competitive intensity due to the presence of a large number of crushers in the vicinity. The rating factors in the exposure of the firm to regulatory restrictions on river-bed mining which might impact raw material availability, coupled with stringent norms on stocking of river bed material, which may impact the business viability of the firm. ICRA also takes into account the vulnerability of PSC's profitability to a slowdown in the real estate and construction sectors, which are its key off takers. Further, the rating is also constrained by the high gearing levels, due to the high working capital intensity of the firm, given the substantial inventory levels it is required to maintain on account of seasonal nature of the business and debt funding of the capital expenditure incurred in FY2015. The rating also takes into account the firm's scheduled debt repayment obligations, which are large relative to its projected cash accruals. However, the rating derives comfort from the experience of the promoters in the industry, and favorable demand outlook for stone grits given the healthy level of construction activity in the surrounding areas.

Going forward, the firm's ability to ramp up its operations and maintain an optimal working capital cycle will be the key rating sensitivities.

Firm Profile

PSC is engaged in screening and crushing of stones which are sourced from river-beds in the Kashipur region of Uttarakhand. The firm is duly licensed and authorized by the Geology and Mining Department, Forest Department and the State Government of Uttarakhand. The stone crushing site of the firm is located in village Veerpur Lachhi, (Uttarakhand), over an area of 12 acres, with an installed annual crushing capacity of 300 Metric Tonnes (MT) per day. The plant commenced operations from March, 2015.

Recent Results

PSC reported a net profit of Rs. 0.26 crore on an operating income of Rs. 6.23 crore for 9MFY2016.

March 2016

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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