

July 10, 2019

Enviro Buildmate Private Limited: [ICRA]B-(Stable)/[ICRA]A4 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term, Fund-based – Cash Credit	26.00	[ICRA]B-(Stable); Assigned
Long Term / Short Term – Unallocated	4.00	[ICRA]B-(Stable)/[ICRA]A4; Assigned
Total	30.00	

*Instrument details are provided in Annexure-1

Rationale

The assigned ratings remain constrained by Enviro Buildmate Private Limited's (EBPL or the company) weak financial profile characterised by thin profitability, leveraged capital structure, weak debt coverage indicators, and high working capital intensity of operations impacting its liquidity position as evident from almost full utilization of working capital facilities. The ratings also factor in the high geographical concentration risk faced by EBPL with presence limited to Pune, Maharashtra; stiff competition from other steel and cement distributors in Pune; and exposure to cyclicity associated with the real estate sector.

The ratings, however, take into account the long-standing experience of EBPL's promoters in steel, cement and other building material trading business; and its diversified customer base. ICRA notes that EBPL is a part of one of the established real estate groups of Pune, namely VTP group, which ensures steady order flow for the company.

Outlook: Stable

ICRA believes EBPL will continue to benefit from the extensive experience of its promoters in the steel and cement trading business as well as its established relations with key suppliers and customers in Pune region. The outlook may be revised to Positive if sustainable growth in revenue, improvement in profitability and coverage metrics and prudent working capital management improve financial flexibility and strengthen the financial risk profile. The outlook may be revised to Negative if reduced demand leads to revenue de-growth or lower than expected cash accruals, or if further increase in receivable levels stretches the working capital cycle and impacts the liquidity position of the company.

Key rating drivers

Credit strengths

Long-standing experience of the promoters in steel, cement and building material trading; association with VTP group offers steady order inflow - The promoters of EBPL have been engaged in the real estate industry for over three decades and in building material trading business for over two decades. EBPL is a part of the VTP group which is one of the established real estate groups in the Pune region, which ensures steady order inflow from real estate and EPC players for the company. A significant portion of EBPL's revenue is generated from other group companies belonging to the VTP group.

Reputed and diversified customer base - EBPL's customer base is diverse with top five customers contributing to ~29% of total revenues in FY2018, and comprises several reputed real estate players in and around the Pune region.

Credit challenges

Weak financial profile characterised by thin profitability, leveraged capital structure and weak coverage indicators – EBPL’s operating profitability remains low given the limited value addition in the trading operations, as reflected by operating profit margins of 2.8% and net profit margins of 0.6% in FY2019 (provisional). The company’s capitalisation and debt coverage indicators are weak given the low profitability, as reflected by gearing of 6.0 times, interest coverage of 1.0 times, NCA/Total Debt of 3% and TD/OPBDITA of 12.2 times as on March 31, 2019.

High working capital intensity of operations – EBPL’s working capital intensity of operations remains high (100% in FY2019) on account of stretched receivable position which impacts its liquidity position, resulting in almost full average monthly utilization of working capital limits. Any significant change in the credit terms with suppliers and/or customers could therefore result in cashflow mismatches for the company.

Intense competition amongst steel and cement distributors in Pune region – EBPL faces stiff competition from other steel and cement distributors from the Pune region which limits its pricing flexibility to an extent, thereby exerting pressure on the profitability of the company.

High geographic concentration with presence limited to Pune – EBPL faces high geographic concentration with its presence limited to only Pune region. Any adverse policy changes pertaining to the area of operations of EBPL could therefore impact its business prospects.

Liquidity Position:

The liquidity position of EBPL remains weak with no buffer in working capital facilities as on March 31, 2019. However, the company does not have sizeable long-term debt obligations over the near to medium term which provides some comfort to the liquidity profile of EBPL. The company had cash and liquid investment of Rs. 0.1 crore on its books as on March 31, 2019.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Trading Companies
Parent/Group Support	Not applicable
Consolidation / Standalone	The rating is based on standalone financial statements of EBPL.

About the company:

Established in year 2006, EBPL is engaged in trading of steel and allied building materials in the Pune region. The company belongs to the VTP group which is one of the established real estate groups in Pune. V T Palresha And Company Private Limited (VTP) is a group company of EBPL and is engaged in trading of cement and allied building materials in the Pune region. EBPL generates a large portion of its revenues from steel trading while the contribution from trading of cement and other building material to revenues remains marginal. The company also provides material transportation services to its clients.

Key financial indicators (Audited)

	FY2017	FY2018	FY2019 (Provisional)
Operating Income (Rs. crore)	103.8	127.7	145.2
PAT (Rs. crore)	1.0	0.5	0.9
OPBDIT/OI (%)	2.5%	1.6%	2.8%
RoCE (%)	9.9%	9.4%	0.6%
Total Debt/TNW (times)	5.5	6.1	6.0
Total Debt/OPBDIT (times)	14.7	22.6	12.2
Interest coverage (times)	0.7	0.5	1.0

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2020)					Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding As on Mar-19 (Rs. crore)	Date & Rating Jul-19	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
1 Fund Based – Cash Credit	Long Term	26.00	NA	[ICRA] B-(Stable)	-	-	April 2016 [ICRA]BB-(Stable)^; Suspended
2 Unallocated	Long Term/ Short Term	4.00	NA	[ICRA]B-(Stable)/ [ICRA]A4	-	-	-
3 Fund Based – Term Loan	Long Term	-	-	-	-	-	[ICRA]BB-(Stable)^; Suspended

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	26.00	[ICRA]B-(Stable)
NA	Long Term / Short Term Unallocated	NA	NA	NA	4.00	[ICRA]B-(Stable)/ [ICRA]A4

Source: Enviiro Buildmate Private Limited

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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