

Press Release

Fastbuild Blocks Private Limited

June 24, 2019

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	16.68	IVR BB / Stable Outlook (IVR Double B with Stable Outlook)	Assigned
Total	16.68		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Fastbuild Blocks Private Limited (FBPL) derive comfort from its experienced promoters, locational advantage and positive demand outlook of Autoclaved Aerated Concrete (AAC) blocks. However, the strengths are partially offset by its small scale of operations limiting economies of scale and flexibility in pricing, logistic intensiveness, high working capital intensity, leveraged capital structure coupled with moderate coverage indicators and fortune linked to volatile real estate and construction sector. Sharp increase in scale of operation while maintaining profitability, sustenance of healthy capital structure and efficient working capital management are the key rating sensitivities.

List of Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters

Mr. Ashish Rungta (Chartered Accountant), Mr. Vineet Chand (Chartered Accountant), Mr. Kunal Kedia (Chartered Accountant), Mr. Praveen Kumar Kedia are currently handling all the activities. All the promoter directors have the requisite business experience.

Locational advantage

The plant of the company is located in Cuttack which well connected with the other nearby cities by road. The plant of the company is located around 100-120 kms from Talcher where various power plants of Nalco/NTPC/GMR/Tata BSL are situated which are the major fly ash

Infomerics Valuation And Rating Pvt. Ltd.

source of the company. Further, the plant of Emami Cement Ltd from which it procures cement is located nearby.

Positive demand outlook

AAC Blocks are an eco-friendly and sustainable construction building material made using non-polluting manufacturing process. It makes productive use of recycled industrial waste (fly ash). Currently, AAC Blocks are most preferable building material for green field projects. The demand outlook for AAC blocks remains positive, owing to their increased acceptance in the Indian market and their benefits over conventional clay bricks.

Key Rating Weaknesses

Small scale of operations limiting economies of scale and flexibility in pricing

FBPL's scale of operation continues to remain small despite a steady growth in the operating income with CAGR of ~36% over FY16 to FY19 with a y-o-y growth of about ~24% in FY19. The growth was driven by increasing acceptance of AAC blocks in the real estate industry. Small scale of operations limits the economics of scale benefits and pricing flexibility.

Logistic intensiveness

AAC block industry is logistic intensive and the profitability is largely linked to freight charges. The profitability is largely affected on account of the volatility in freight charges.

High working capital intensity

AAC Blocks manufacturing is highly dependent on the availability of raw materials mainly fly ash and the company need to store the same for continuous production. Apart from raw materials, the company have to store AAC Blocks in large quantity to address customer demands. With high inventory holding the operations remain working capital-intensive in nature. Further, the collection period also remained moderate over the past years. Average working capital utilization remained high at around 99% during last twelve months ended May, 2019.

Leveraged capital structure coupled with moderate coverage indicators

FBPL's capital structure remains leveraged on account of the debt-funded capex undertaken in the past, coupled with dependence on external borrowings to fund its working capital

Infomerics Valuation And Rating Pvt. Ltd.

operations. Preference share capital of Rs. 5.50 crore has been considered as equity as the term period is for 10 years. The debt profile of the company comprises subordinated (interest bearing) unsecured loan from the related parties aggregating to Rs.6.70 crore treating the same as neither debt nor equity. The long-term debt equity and the overall gearing stood at 1.54x and 2.10x as on March 31,2019 (Prov.) respectively.

The debt coverage indicators, as denoted by interest coverage ratio and adjusted Total Debt/GCA, stood moderate at 2.45 times (1.66x in FY 18) and 5.71 years (19.45 years in FY18) respectively, in fiscal FY19. TOL/TNW also remained moderate at 2.52x as on March 31,2019 (Prov.).

Fortune linked to volatile real estate and construction sector

The fortune of AAC block manufacturing industry is largely linked to real estate construction activities which in turn is dependent on the economic cycles and GDP growth. As real estate sector is one of the major consumers of AAC block which exposes the manufacturer to the risks and cyclicity associated to the sector which is also currently passing through a sluggish market scenario.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios and Interpretation (Non-financial sector)

Liquidity

Stretched - Liquidity is marked by closely matched repayment obligations to accruals and highly utilized bank limits. However, enhancement in bank limits in January,2019 is expected to support the liquidity to an extent.

About the Company

Incorporated in December, 2012, Odisha based Fast Build Blocks Private Limited (FBPL) was promoted by relatives, Mr. Ashish Rungta, Mr. Vineet Chand, Mr. Sandeep Bhartia and Mr. Yogesh Dalmia. In 2017, Mr. Praveen Kumar Kedia and Mr. Kunal Kedia was inducted in the business in place of Mr. Sandeep Bhartia and Mr. Yogesh Dalmia. FBPL is engaged in manufacturing of Autoclaved Aerated Concrete (AAC) blocks. AAC is required in construction activities and is an effective replacement of bricks. The ISO 9001: 2008 Certified manufacturing facility of the company located at Cuttack - Odisha, with an installed capacity of 150000 cubic

Infomerics Valuation And Rating Pvt. Ltd.

meters per annum. The company started its commercial operation from April,2014. FBPL mainly caters to West Bengal, Jharkhand and Odisha.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Provisional
Total Operating Income	25.14	31.16
EBITDA	4.80	5.51
PAT	0.27	2.36
Total Debt	24.87	25.43
Tangible Net worth	19.09	8.92
EBITDA Margin (%)	19.09	17.70
PAT Margin (%)	1.09	7.57
Overall Gearing Ratio (x)	3.79	2.85

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Available

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Cash Credit	Long Term	7.00	IVR BB/Stable	-	-	-
2.	Long Term Fund Based Limits – Term Loan	Long/Short Term	9.68	IVR BB/Stable	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Ms. Aakanksha N. Banthia

Tel: (033) 46022266

Email: abanthia@infomerics.com

About Infomerics:

Infomerics Valuation And Rating Pvt. Ltd.

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	7.00	IVR BB/Stable
Term Loan	-	-	-	9.68	IVR BB/Stable