Rating Rationale

11 November 2021

Emerald Industries

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 25.65 Crores of Emerald Industries.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (18, August, 2020)	Present
Fund based	20.35	**20.65**	**Long Term**	BWR BB+ (Stable)	**BWR BB+ (Stable) [Reaffirmation]**
Non Fund Based	5.00	**5.00**	**Short Term**	BWR A4+	**BWR A4+ [Reaffirmation]**
Total	25.35	**25.65**	**INR Twenty Five Crores & Sixty Five Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

RATING ACTION : Long Term & Short Term Ratings reaffirmed at BWR BB+ (Stable)/A4+

RATING OUTLOOK : Stable

Brickwork Ratings (BWR) has essentially relied on the audited financial statements of Emerald Industries(EI or the entity) up to FY20, provisional financials of FY21, projections for FY22 & FY 23, publicly available information, and information/clarifications provided by the entity's management and its bankers to arrive at the present ratings.

BWR believes that the business risk profile of **Emerald Industries** will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.
The rating continues to draw strength from the extensive experience of the promoters in the industry, and improving financial risk profile

The rating is however constrained on account of declining scale of operations. The rating also takes into account the stretched working capital cycle, regulatory risk associated with the mining sector, high competition from players in the unorganized as well as organized sectors & the inherent risk associated with the partnership firm.

DESCRIPTION OF KEY RATING DRIVERS

- **Credit Strengths-:**
  - **Experienced Partners -** Emerald Industries is a partnership concern established in 1974, located in Gwalior (Madhya Pradesh). The firm has eight partners such as Anil Bhansali, Yashraju Bhansali, Sanjai Bhansali and Uday Bhansali,Alka Bhansali,Meenu Bhansali,Namrata Bhansali,Prashila Bhansali.Mr Anil Bhansali is the managing partner having an experience of more than 4 decades in the same line of business
  - **Improving Financial Risk Profile -** The entity has an improving financial risk profile as indicated by a relatively moderate gearing of 1.19X in FY20 which has marginally increased from 1.15X in FY19. The coverage ratios as reflected by ISCR & DSCR stand improved at 3.14X & 2.08X in FY20 vis-a-vis 2.93X & 1.85X in FY19 indicating the ability of the entity to service its debt obligations. The current ratio has flat at 1.26X through FY20, however, the same is expected to improve in FY20.

- **Credit Risks-:**
  - **Reduction in Topline -** A minor reduction in the topline to Rs 83.84cr in FY20 from Rs 88.63cr in FY19 has been observed. The revenues have further reduced considerable in FY21 to Rs 40.12cr on account of operations being shut due to Covid19. The entity has earned a revenue of Rs 27.35cr for a period of April to October 21.
  - **Stretched Working Capital Cycle -** Working capital cycle of the entity appears to be stretched as indicated by GCA/Net Sales of 36.87% in FY20 which has deteriorated from 30.67% in FY19 & 24.99% in FY18.
  - **Inherent Risk As Associated With Partnership Firms -** Given the entity's constitution as a partnership firm, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement or insolvency of partners.
  - **Regulatory Risk in the Mining Sector -** The mining environment in India is highly uncertain due to issues like illegal mining and risk attached to mining activities of its clients due to sudden change in government policies. Therefore any major regulatory changes may impact the business operations of the firm.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the firm to increase its scale of operations, improve profitability, efficiently manage its working capital and strengthen its overall credit profile would be the key rating rating sensitivities.

Positive : The rating may be upgraded if the company demonstrates the significant improvement in the top-line. Adding a few more reputed brands to its portfolio of customers would be credit positive for the company.
Negative : The rating may be downgraded if there is further deterioration in business risk profile.

LIQUIDITY POSITION: ADEQUATE
Liquidity profile of the company is adequate. The net cash accruals of the company stand at Rs 5.70 cr with cash and cash equivalents of Rs 2.56 cr in FY20. The current ratio remains flat at 1.26X in FY20. The average utilization for the period of January 21 - August 21 stands at 45.72%

ABOUT THE COMPANY
Emerald Industries is a partnership concern established in 1974, located in Gwalior (Madhya Pradesh).The firm mines and extracts boulders, supplies crushed stone aggregates, and undertakes site preparation and road development activities.

COMPANY FINANCIAL PERFORMANCE
On a provisional basis the entity has earned a revenue of Rs 40.12cr with an EBITDA of Rs 6.61cr in FY21.

Key Parameters	Units	FY 20	FY 19
Result Type		Audited	Audited
Total Operating Income	₹ Cr	83.84	88.63
EBITDA	₹ Cr	9.65	10.33
PAT	₹ Cr	2.19	2.27
Tangible Net Worth	₹ Cr	20.25	17.60
Total Debt/Tangible Net Worth	Times	1.19	1.15
Current Ratio	Times	1.26	1.28

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : None

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Instrument /Facility	Current Rating			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	18th, August, 2020^	20th May, 2019	14th February, 2018
Fund Based	Long Term	20.65	**BWR BB+** (Stable) **[Reaffirmation]**	**BWR BB+ (Stable)**	**BWR BB+ (Stable)**	**BWR BB (Stable)**
Non Fund Based	Short Term	5.00	**BWR A4+ [Reaffirmation]**	**BWR A4+**	**BWR A4+**	**BWR A4**
Total		**25.65**	**₹ Twenty Five Crores & Sixty Five Lakhs Only**			

^The company had been transferred to Rating not Reviewed on 19th August 2021

NON-COOPERATION WITH PREVIOUS RATING AGENCY : The entity has been transferred to Crisil B+(Stable)/A4 Issuer Not Co-operating for BLR of Rs 30.00 Crs on 09 November 2021 on account of non submission of information by Crisil Ratings.

ANY OTHER INFORMATION

COMPLEXITY LEVELS OF THE INSTRUMENTS
For more information, visit **www.brickworkratings.com/download/ComplexityLevels.pdf**

Hyperlink/Reference to applicable Criteria

- **Manufacturing Companies**
- **Approach To Financial Ratios**
- **Trading Entities**

For any other criteria obtain hyperlinks from website

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ANNEXURE I
Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1)	ICICI Bank	Cash Credit	17.50	-	**17.50**
2)		GECL*	3.15	-	**3.15**
3)		Bank Guarantee	-	5.00	**5.00**
TOTAL					**25.65**

Current O/s at Rs 2.97crs as on 31.10.2021

Total Rupees Twenty Five Crores & Sixty Five Lakhs Only.

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