



Press Release

Fastbuild Blocks Pvt. Ltd.

September 17, 2020

SI. No.	Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Long term Bank Facilities	14.75 (reduced from 16.68)	IVR BB; Stable (IVR Double B with Stable outlook)	Reaffirmed
	Total	14.75 (Rs. Fourteen crore and Seventy Five lakh only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Fastbuild Blocks Pvt. Ltd. (FBPL) continues to derive comfort from its experienced promoters, locational advantage and positive demand outlook for AAC blocks. These rating strengths are however, remain constrained by its small scale of operations limiting economies of scale and flexibility in pricing, logistic intensiveness, high working capital intensity leading to leveraged capital structure coupled with moderate coverage indicators and linkage of its fortune to volatile real estate and construction sector.

Rating Sensitivities

Upward factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals, liquidity and debt protection metrics on a sustained basis
- Improvement in the capital structure with TOL/TNW to remain below 3x on a sustained basis

Downward Factors

- Dip in operating income and/or profitability impacting the debt protection metrics with deterioration in the interest coverage ratio to below 1.5x
- Withdrawal of subordinated unsecured loans aggregating to Rs.6.70 crore and/or deterioration in the capital structure
- Deterioration in working capital management affecting the liquidity.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced promoters**

The 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. Mr. Ashish Rungta, having an experience of coal trading logistics & sponge iron manufacturing, is totally involved in FBPL since inception. Mr. Vineet Chand, was initially into construction business for five years before incorporation of FBPL and has an edge in the business due to the experience gained in construction segment.

- **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 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 ~10% over FY18 to FY20 with a nominal y-o-y growth of about ~0.50% in FY20 (prov.). 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.



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- **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. The same can be corroborated from the fact that, there is a volatility in the operating profit margin over the last three fiscals guided by movement in the fuel costs.

- **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 ~99% during last twelve months ended August, 2020.

- **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 operations. The debt equity ratio and the overall gearing ratio stood high at of 2.21 times and 3.06 times respectively as on March 31, 2020 (Prov.) improved from 2.70 times and 3.75 times respectively as on March 31, 2019. The improvement was on account of scheduled repayment of term loans and accretion of profit to net worth. However, the debt profile of the company also comprises subordinated (interest bearing) unsecured loan from the related parties aggregating to Rs.6.70 crore treating the same as quasi equity and the overall gearing stood moderate at 1.16x as on March 31, 2020 (Prov.). The debt coverage indicators, as denoted by interest coverage ratio and adjusted Total Debt/GCA, stood moderate at 1.94x (1.75x in FY 19) and 6.83 years (9.14 years in FY19) respectively, in fiscal FY20. TOL/TNW also remained moderate at 1.41x as on March 31, 2020 (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



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risks and cyclical 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 & Interpretation (Non-Financial Sector)

Liquidity: Stretched

The liquidity position of the company is expected to remain stretch in the near term marked by its tightly matched gross cash accruals with its repayment obligations, elongated operating cycle coupled with weak quick ratio and high average cash credit utilisation at ~95% during the past 12 months ended August, 2020. FBPL has earned a gross cash accrual of Rs.2.07 crore in FY19 and Rs.2.43 crore in FY20 (provisional) and the company is expected to earn gross cash accruals in the range of ~Rs.2.88-3.48 crore as against its debt repayment obligation of around Rs.2.40 crore during FY21-23.

About the Company

Incorporated in December, 2012, Odishabased 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 meters per annum. The company started its commercial operation from April, 2014. FBPL mainly caters to West Bengal, Jharkhand and Odisha.

All the Promoters/Directors are associated with the business to manage the affairs of the company. They are fully equipped with the knowledge of AAC blocks and is in the activity since 2012's. The company does not have any group companies.



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Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	30.42	30.55
EBITDA	4.83	5.01
PAT	0.20	0.72
Total Debt	18.88	16.61
Tangible Net worth	6.82	7.62
Adjusted Tangible Net worth	13.52	14.32
EBITDA Margin (%)	15.89	16.40
PAT Margin (%)	0.65	2.36
Overall Gearing Ratio (x)	3.75	3.06
Adjusted Overall Gearing Ratio (x)	1.40	1.16

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: India Ratings has moved the rating to issuer non cooperating category vide its PR dated August 30, 2019 due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Term Loan	Long Term	7.75	IVR BB/ Stable	IVR BB /Stable (June 24, 2019)	-	-
2	Cash Credit	Long Term	7.00	IVR BB/ Stable	IVR BB /Stable (June 24, 2019)	-	-

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.

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About Infomerics:

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	Mar 2023	7.75	IVR BB/Stable
Long Term Fund Based Limits – Cash Credit	-	-	-	7.00	IVR BB/Stable