

Press Release

Indian Commerce & Industries Co. Private Limited

February 22, 2022



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.10	ACUITE BB+ Negative Downgraded Stable to Negative	-
Bank Loan Ratings	25.80	-	ACUITE A4+ Downgraded
Total Outstanding Quantum (Rs. Cr)	46.90	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.21.10 Cr. bank facilities of Indian Commerce and Industries Co. Private Limited (ICICPL). The outlook is revised to '**Negative**' from '**Stable**'.

Further, Acuite has also downgraded the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.25.80 Cr. bank facilities of Indian Commerce and Industries Co. Private Limited (ICICPL).

Rationale for revision of ratings

The rating revision takes into account the significant deterioration in operating income, negative profitability indicators, debt coverage indicators, stretch in working capital and liquidity position on a Y-O-Y basis during the FY2020-21 period.

About the Company

Based out of Tamil Nadu and incorporated in 1937, ICICPL is led by its Directors Mr. Ramesh Cuddalore Kumar and Mr. Ravindran Cuddalore. The entity is engaged in the business of structural steel building construction (fabrication, erection) and Labour Contracting for various industrial units. Further, ICICPL is also engaged in manufacturing steel roof sheets, castings, steel structures, and trading in steel building materials and steel castings. The company has its manufacturing units for Pre Engineered Buildings (PEB) and metal sheet profiling in Tamil Nadu and foundry and steel fabrication in Andhra Pradesh. Overall, the company has an installed capacity of 720 tonnes per annum (TPA) for steel castings, 19,750 TPA for structural steel, and 4500 TPA for roofing sheets.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of ICICPL to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

ICICPL was established in 1937 by Mr. Kowtha Suryanarayan Row in Vijayawada, Andhra Pradesh. ICICPL is managed by second and third-generation entrepreneurs who are well qualified and experienced in the management of engineering enterprises. Currently, the company is managed by two Directors, Mr. C. Ramesh Kumar and Mr. C. Ravindran who have more than three decades of experience in manufacturing, fabrication, and installation of steel structures. Aided by the experienced management and quality deliverables, ICICPL ensures steady order flow from the long vintage and reputed clientele including MRF Limited, Apollo Tyres Ltd, TVS Motor Company Limited, Ashok Leyland Limited, among others. Acuite believes that with diversified clientele, experienced management, and operational track record, ICICPL will continue to benefit over the medium term.

Weaknesses

Deterioration in the business risk profile

ICICPL's operating income has deteriorated to Rs.48.48 Cr (~70 percent) in FY2021 from Rs.167.14 Cr. (~24 percent) in FY2020 and from Rs.217.97 Cr. in FY2019. This has resulted in consistent deterioration in its profitability indicators marked by Operating (EBITDA) margins of (13.43) percent in FY2021 as against (3.18) percent in FY2020, while PAT margins deteriorated to (15.49) percent in FY2021 as against (6.62) percent in FY2020. The overall slowdown in the economy which led to revision of capex plans by companies in the pre-covid era and later the impact of Covid-19 has significantly affected the business risk profile of ICICPL's business risk profile.

Acuite believes the business risk profile could improve going forward in the near to medium term.

Stretched Working capital

ICICPL's operations have stretched working capital marked by Gross Current Asset (GCA) days of around 755 days for FY2021 which emanates from the increase in its inventory holding period to 171 days as on for FY2021 as against 64 days for FY2020 and deterioration in its debtors' collection period to 72 days in FY2021 as against 21 days in FY2020. The increase in its GCA is also contributed by higher Cash and Bank Balances of Rs.5.54 Cr. as on March 31, 2021 as against Rs.0.66 Cr. as on March 31, 2020. Stretch in working capital is further reflected in the elongation of its creditors' payment period of 115 days in FY2021 as against 65 days in FY2020. Payment to creditors of products for each project is tied with cash flows received from debtors for that project. Working capital limits nonetheless remain utilized at ~60 to 70 percent for the 6-month period ended January, 2022.

Acuite believes the working capital to remain stretched in the near to medium term, unless significantly improvement in collection and execution is witnessed.

Deterioration in the financial risk profile

ICICPL's financial risk profile stands moderate while deteriorating on a Y-O-Y basis marked by deterioration in its networth and coverage indicators while maintaining stable gearing. The networth deteriorated to Rs.40.75 Cr. as on March 31, 2021 as against Rs.48.19 Cr. as on March 31, 2020 and Rs.59.42 Cr. as on March 31, 2019 on account of losses incurred in FY2021 and FY2020. Loans from family members earlier treated as quasi-equity are now being treated as interest-bearing, noncommittal, unsecured loans forming part of the existing debt profile which currently comprises of Short-Term Debt. ICICPL follows a conservative financial policy marked by Gearing (Debt to Equity) of 0.89 times as on March 31, 2021 as against 1.08 times as on March 31, 2020 while its total outside liabilities to tangible net worth (TOL/TNW) levels stood stable at 2.16 times as on March 31, 2021 as against 2.18 as on March 31, 2020. Coverage indicators have also deteriorated marked by Interest coverage ratio of (8.83) times in FY2021 as against (1.04) times in FY2020, while its DSCR stood at (8.83) times in FY2021 as against (1.12) times in FY2020.

Acuite believes the financial risk profile to stabilize in the near to medium term.

Rating Sensitivities

- Significant improvement in scale of operations, while maintaining its profitability margins.
- Deterioration in the working capital cycle leading to stress on the debt protection metrics or the liquidity position of the entity.

Material covenants

None

Liquidity Position: Stretched

ICICPL has a stretched liquidity position marked by negative net cash accruals, further working capital remains stretched marked by GCA of 755 days in FY2021. The cash accruals are expected to improve during the FY2022-24 period with repayment obligations being NIL during the same period. Nonetheless, the working capital limits remain utilized at 60-70 percent for the 6-month period ended January 2022. ICICPL maintains unencumbered cash and bank balances of Rs.5.54 crore as on March 31, 2021. The current ratio of the company stands moderate at 1.89 times as on March 31, 2021.

Outlook: Negative

Acuité has revised the outlook on ICICPL to 'Negative' on account of deterioration in the liquidity profile of the company. Further, the stretched liquidity has moderately impacted the financial risk profile of the company. The rating may be further downgraded in case of continued challenges in liquidity management thereby impacting the operations and the debt structure. Conversely, the outlook may be revised to 'Stable' if the company is able to show significant improvement in liquidity profile supported by reduction in receivable days.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	48.48	167.14
PAT	Rs. Cr.	(7.51)	(11.06)
PAT Margin	(%)	(15.49)	(6.62)
Total Debt/Tangible Net Worth	Times	0.89	1.08
PBDIT/Interest	Times	(8.83)	(1.04)

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Mar 2020	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	15.00	ACUITE BBB (Withdrawn)
	Proposed Bank Facility	Long Term	17.40	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
27 Dec 2018	Cash Credit	Long Term	4.50	ACUITE BBB Negative (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	15.00	ACUITE BBB Negative (Assigned)
	Proposed Long Term Loan	Long Term	2.40	ACUITE BBB Negative (Reaffirmed)
	Term Loan	Long Term	5.39	ACUITE BBB Stable (Withdrawn)
	Term Loan	Long Term	4.21	ACUITE BBB Stable (Withdrawn)
06 Dec 2017	Cash Credit	Long Term	4.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.39	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	4.21	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.80	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
02 Aug 2017	Cash Credit	Long Term	4.50	ACUITE BBB (Issuer not co-operating*)
	Term Loan	Long Term	5.39	ACUITE BBB (Issuer not co-operating*)
	Term Loan	Long Term	4.21	ACUITE BBB (Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	0.80	ACUITE BBB (Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Issuer not co-operating*)
	Cash Credit	Long Term	4.50	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	5.39	ACUITE BBB Stable (Assigned)
		Long		

28 Apr 2016	Term Loan	Term	4.21	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	0.80	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ Downgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB+ Negative Downgraded Stable to Negative
Bank of Baroda	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE A4+ Downgraded
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ Downgraded
Bank of Baroda	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE A4+ Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	16.60	ACUITE BB+ Negative Downgraded Stable to Negative

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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