

Press Release
India Wire and General Mills Private Limited

July 16, 2021



Rating Upgraded

Total Bank Facilities Rated*	Rs. 23.42 Cr.
Long Term Rating	ACUITE BB+/Stable (Upgraded)
Short Term Rating	ACUITE A4+ (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has Upgraded the long-term rating to '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE B**' (**read as ACUITE B**) and the short-term rating to '**ACUITE A4+**' (**read as ACUITE A four plus**) from '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 23.42 Crore bank facilities of India Wire & General Mills Private Limited. The outlook is '**Stable**'.

The rating upgrade is on account of improvement in the overall business risk profile of the company marked by a steady increase in the operating revenue and improvement in profitability levels. In FY2019, the company wasn't fully operational and were into the starting phase in the business.

The operating revenue of the company has grown to Rs.5.63 crores in FY2020 and the company have achieved a sales of Rs.7.60 Crore in FY2021 (Provisional). IWGMPL's operating margin has stood at 59.87 percent in FY2020. Acuité believes that the entity would sustain the revenue growth and improved profitability going forward too resulting in better cash accruals. The higher accruals would, in turn, translate into improvement in their capital structure and debt protection measures.

About the Company

New Delhi based India Wire & General Mills Private Limited (IWGMPL) was incorporated in the year 1995 as private limited company by Mr. Ashish Singhania and Mr. Alok Singhania. The company is engaged in the business of lease rentals. The company has rental income from its own property i.e. 1, 50,000 sq. feet of leasable space given on lease to its clients which are Asian paints, Lintec India private limited and Deutsche cars private limited.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of IWGMPL to arrive at the rating.

Key Rating Drivers

Strengths

• **Experienced management and long track record of operation**

IWGM was incorporated in the year 1995. The promoters of the company have more than two decades of experience in the same line of business. The company has lease agreement with Asian Paints Limited, Lintec India private limited and LG Electronics India Private Limited for a period of 9 years each and Shree Durga Automobiles have a lease agreement of 11 month. Further, the property is located at a prime location of Delhi i.e. Rama Road.

Acuité believes that the extensive experience of the promoters in the same line of business is likely to benefit IWGMPL over the medium term.

• **Moderate financial risk profile**

Company's financial risk profile remained average marked by moderate net worth, gearing and moderate debt protection metrics. The net worth of the company stood at Rs.12.81 Crore as on 31 March 2020 as against Rs.12.88 Crore as on 31 March 2019. The gearing level (debt-equity) stood at 1.15 times as on 31

March 2020 as against 1.15 times as on 31 March 2019. The total debt of Rs.14.77 Crore as on 31 March 2020 consists of unsecured loan of Rs.1.00 Crore and long term loan of Rs.13.76 Crore. The interest coverage ratio (ICR) stood at 2.64 times in FY2020 as against 25.41 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.14 times in FY2020.

Weaknesses

• Moderate working capital nature of operation

The working capital management of the company is intensive in FY2020 marked by Gross Current Assets (GCA) of 247 days in FY2020. This was mainly due to high other current asset consist of GST recoverable and TDS recoverable.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term.

• Customer concentration risk

Occurrence of events such as policy decision by key clients to shift their offices to other state or decisions regarding outsourcing can impact their willing to continue their lease agreement. Further, this risk is mitigated at an extended considering its strategic location. In the event of non-renewal by existing lessee the future cash flows will be impacted thereby translating to weakening of debt protection indicators. Currently company is only engaged with 3 clients stated above and considering Asian paints as a Key client because it contribute more than 75% of the total lease rentals. In the event of either of the companies deciding to move out or seeking a renegotiation the rentals are likely to be impacted.

Rating sensitivity

- Further improvement in operating income and profitability will lead to strong financial risk profile.

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.00 Crore in FY2020 as against CPLTD of Rs.1.31 Crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.3.20 Crore to Rs.4.00 Crore during FY2021-23 against CPLTD of below Rs.2.00 Crore for the same period. Company's working capital operations are intensive marked by gross current asset (GCA) days of 247 days in FY2020. Company maintains unencumbered cash and bank balances of Rs.0.01 Crore as on 31 March 2020. The current ratio stands at 0.85 times as on 31 March 2020.

Outlook: Stable

Acuite believes that the outlook on IWGMPL will remain 'Stable' over the medium term on the back of experience of management and long track record of operations. The outlook maybe revised to 'Positive' in case of sustained increase in operating income and profitability. Conversely, the outlook maybe revised to 'Negative' in case of any further stretch in its working capital cycle or higher than expected deterioration in financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Projected)	FY20 (Actual)
Operating Income	Rs. Cr.	7.62	5.63
PAT	Rs. Cr.	0.76	(0.07)
PAT Margin	(%)	9.98	(1.22)
Total Debt/Tangible Net Worth	Times	0.91	1.15
PBDIT/Interest	Times	3.83	2.64

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in service sector- <https://www.acuite.in/view-rating-criteria-50.htm>
- 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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
29-January-2021	Term Loan I	Long Term	12.50	ACUITE B (Indicative)
	Term Loan II	Long Term	2.00	ACUITE B (Indicative)
	Bank Guarantee I	Short Term	6.55	ACUITE A4 (Indicative)
	Bank Guarantee II	Short Term	0.28	ACUITE A4 (Indicative)
	Bank Guarantee III	Short Term	2.00	ACUITE A4 (Indicative)
	Proposed Bank Facility	Long Term	0.09	ACUITE B (Indicative)
05-November-2019	Term Loan I	Long Term	12.50	ACUITE B/Stable (Assigned)
	Term Loan II	Long Term	2.00	ACUITE B/Stable (Assigned)
	Bank Guarantee I	Short Term	6.55	ACUITE A4 (Reaffirmed)
	Bank Guarantee II	Short Term	0.28	ACUITE A4 (Assigned)
	Bank Guarantee III	Short Term	2.00	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	0.09	ACUITE B/Stable (Assigned)

31-July-2019	Proposed Term Loan	Long term	12.50	ACUITE B (Indicative)
	Proposed Bank Guarantee	Short Term	6.60	ACUITE A4 (Indicative)
21-May-2018	Proposed Term Loan	Long term	12.50	ACUITE B/Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	6.60	ACUITE A4 (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan I	April-2018	10.10%	April-2017	12.50	ACUITE BB+/Stable (Upgraded)
Term Loan II	March-2019	10.10%	March-2026	2.00	ACUITE BB+/Stable (Upgraded)
Bank Guarantee I	Not Applicable	Not Applicable	Not Applicable	6.55	ACUITE A4+ (Upgraded)
Bank Guarantee II	Not Applicable	Not Applicable	Not Applicable	0.28	ACUITE A4+ (Upgraded)
Bank Guarantee III	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.09	ACUITE BB+/Stable (Upgraded)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager – Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Aditya Singh Senior Ratings Analyst - Rating Operations Tel: 011-49731303 aditya.singh@acuite.in	

About Acuité Ratings & Research:

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