

Press Release

India Wire and General Mills Private Limited

October 14, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.59	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	8.83	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	23.42	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed long-term rating at '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating from '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs.23.42 crore of bank facilities of **India Wire and General Mills Private Limited (IWGMPL)**. The outlook is '**Stable**'.

Rationale for Reaffirmation

The reaffirmation in ratings take into account satisfactory operating performance in terms of total operating income and profitability level led by long term lease contract with clientele. The ratings also factor in comfortable financial risk profile. The above strengths are however, underpinned by small scale of operations, concentrated clientele base and higher GCA days.

About the Company

India Wire & General Mills Private Limited (IWGMPL) was incorporated in the year 1949 as private limited company. The company is engaged in the business of lease rentals. The company has rental income from its own property given on rent to its clients. The present Directors of the company are Ms. Rinki Singhania, Ms. Neha Singhania, Ms. Komal Singhania, Mr. Raj Kumar Singhania and Ms. Asha Singhania. The Registered office of the company is in New Delhi.

Analytical Approach

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

Key Rating Drivers

Strengths

Satisfactory operating performance.

The total operating income of the company remained at similar level with marginal improvement from Rs.7.31 crores in FY21 to Rs.8.80 crore in FY22 (Prov.), thereby reporting y-o-y growth of 20% during the year. The increase in revenue is led by escalation clause w.r.t existing lessee such as Asian Paints Limited, Lintec India Private Limited, Shri Durga Automobiles etc. The tenor of the lease deed with clients' ranges between 3-6 years with y-o-y escalation clause. In line with increase in revenue, operating profit also increased to Rs.6.39 crores in FY22 over Rs.4.59 crores in FY21. The EBITDA margin also increased to 72.67% in FY22 vis-à-vis 62.83% in FY21. The net profit also remained at Rs.2.28 crores over Rs.0.8 crores in FY21, despite increase in capital charge (interest and depreciation). Consequently, the net profit margin also increased to 25.88% in FY22 as against 10.99% in FY21.

Acuite believes that the operating revenue is expected to improve going ahead led by escalation clause and tenor of 3-6 years, thereby providing medium to long term revenue visibility. The company has already reported net sales and net profit of Rs.3.15 crores and Rs.0.88 crores respectively during 4MFY23.

Comfortable financial risk profile

The capital structure as represented by debt- equity ratio remains below unity, albeit with moderation due to increase in term loan. Nevertheless, the interest coverage ratio increased to 4.53 times in FY22 over 3.60 times in FY21, led by increase in operating profit. The net cash accruals to total debt continues to remain at similar level at 0.27-0.28 times during FY21-22. The tangible net worth of the company also increased to Rs.18.27 crores as on March 31, 2022 as against Rs.16.0 crores as on March 31, 2021, led by accretion of profit to reserves. This further resulted in improvement in total outstanding liability to tangible net worth to 1.24 times in FY22 as against 1.06 times in FY21. However, debt-EBITDA moderated to 2.79 in FY22 vis-à-vis 2.59 times in FY21, led by increase in total debt. However, the impact has been partially offset by increase in operating profit during FY22.

The company is not planning to avail any additional term debt in medium term, hence the financial risk profile is expected to improve going ahead led by repayment of existing term loan and expected increase in tangible net worth.

Weaknesses

Higher GCA days

The gross current asset days of the company continues to remain at higher level, albeit with improvement to 93 days in FY22 over 117 days in FY21, led by increase in total operating income. The current assets mainly comprise of other receivables and recoveries and other deposits. The company does not have any debtors or inventory balance as on March 31, 2022. Hence, the gross current asset is expected to remain at similar level in medium term.

Clientele concentration

The company derives major portion of revenue from Asian Paints Limited, which contribute to around 75% of total revenue for 64,500 sqft (43% of total leasable area). Nevertheless, as per lease deed, the lease is valid till May 2028, thereby providing long term revenue visibility. Any discontinuation of lease by any client could impact revenue streams.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- >Significant improvement in revenue along with increase in scale of operations
- >Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.

Material covenants

None

Liquidity Position: Adequate

The liquidity profile of the company continues to remain at adequate level with net cash accruals of Rs.5.04 crores as against the debt obligation of Rs.2-3.0 crores. The cash and bank balance remained at Rs.0.01 crore as on March 31, 2022. However, the current ratio, albeit improved continues to remain below unity. The company also has strategic investment of Rs. 6.54 crores as on March 31, 2022.

Outlook: Stable

Acuité believes that the outlook on IWAEGPL will remain 'Stable' over the medium term on account of growing occupancy level, resulting in increase in lease rental. The outlook may be revised to 'Positive' in case of significant increase in lease rental than envisaged, long term lease contract with reputed clientele. Conversely, the outlook may be revised to 'Negative' in case of any decline in lease rentals.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	8.80	7.31
PAT	Rs. Cr.	2.28	0.80
PAT Margin	(%)	25.88	10.99
Total Debt/Tangible Net Worth	Times	0.99	0.75
PBDIT/Interest	Times	4.53	3.60

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
16 Jul 2021	Term Loan	Long Term	2.00	ACUITE BB+ Stable (Upgraded from ACUITE B)
	Term Loan	Long Term	12.50	ACUITE BB+ Stable (Upgraded from ACUITE B)
	Proposed Bank Facility	Long Term	0.09	ACUITE BB+ (Upgraded from ACUITE B)
	Bank Guarantee	Short Term	6.55	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	0.28	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	6.55	ACUITE A4+ (Upgraded from ACUITE A4)

29 Jan 2021	Bank Guarantee	Short Term	0.28	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	2.00	ACUITE B (Issuer not co-operating*)
	Bank Guarantee	Short Term	2.00	ACUITE A4 (Issuer not co-operating*)
	Bank Guarantee	Short Term	6.55	ACUITE A4 (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.09	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	12.50	ACUITE B (Issuer not co-operating*)
05 Nov 2019	Term Loan	Long Term	12.50	ACUITE B Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE B Stable (Assigned)
	Bank Guarantee	Short Term	0.28	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	6.55	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.09	ACUITE B Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A4 (Assigned)
31 Jul 2019	Proposed Term Loan	Long Term	12.50	ACUITE B (Issuer not co-operating*)
	Bank Guarantee	Short Term	6.60	ACUITE A4 (Issuer not co-operating*)
21 May 2018	Proposed Long Term Loan	Long Term	12.50	ACUITE B Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	6.60	ACUITE A4 (Reaffirmed)
30 Nov 2017	Proposed Long Term Loan	Long Term	12.50	ACUITE B (Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	6.60	ACUITE A4 (Issuer not co-operating*)
02 Sep 2016	Proposed Long Term Loan	Long Term	12.50	ACUITE B Stable (Assigned)
	Proposed Bank Guarantee	Short Term	6.60	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	6.55	ACUITE A4+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.28	ACUITE A4+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.21	ACUITE BB+ Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	7.39	ACUITE BB+ Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.99	ACUITE BB+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in J. Subhadra Senior Analyst-Rating Operations Tel: 022-49294065 j.subhadra@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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