

Press Release

Intech Safety Private Limited

January 19, 2022



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.67	ACUITE BB Stable Assigned	-
Bank Loan Ratings	7.83	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	8.33	-	ACUITE A4+ Assigned
Bank Loan Ratings	7.17	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	35.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded the long-term rating from **ACUITE B (read as Acuite B)** to '**ACUITE BB (read as ACUITE double B)**' and the short term rating from **ACUITE A4 (read as ACUITE A four)** to '**ACUITE A4+** (read as ACUITE A four plus)' on the Rs. 15.00 crore bank facilities and assigned the long term rating of **ACUITE B (read as Acuite B)** and the short term rating of **ACUITE A4+ (read as Acuite A four plus)** on the 20.00 crore bank facilities of Intech Safety Private Limited (ISPL). The outlook remains '**Stable**'.

The rating on ISPL takes cognizance of the long track record of operations and experienced management. The rating is further supported by Improvement in business risk profile buoyed by increase in operating income and profitability margins. However, these strengths are offset by average financial risk profile and working capital Intensive nature of operations of the company.

About the Company

Incorporated in 2003 as a private limited company, West Bengal based ISPL is promoted by Mr. Gautam Gupta and his family members. It manufactures personal protection equipment, such as respiratory masks, protective suits, vests, industrial safety helmets, and masks. The company also supplies self-rescuing equipment mainly for entities engaged in the mining industry.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of ISPL to arrive at this rating.

Key Rating Drivers

Strengths

1. Long operational track record and experienced management: Intech Safety Private Limited (ISPL) has been in the manufacturing of safety equipments for around two decades. Acuité believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations. Further, the key promoters of the company Mr. Gautam Gupta, Mr Aniruddh Gupta and Ms. Joyoti Ghosh have over two decades of experience in a similar line of operation. Acuité derives comfort from the long experience of the promoters.

2. Improvement in business risk profile

ISPL has achieved revenues of Rs 33.80 crores in FY2021(Prov) as compared to revenues of Rs.28.02 crores in FY2020, thereby registering a y-o-y growth of 12 per cent. The growth in top line is on account of increase in demand of safety equipments, due to Covid pandemic. The operating margin increased to 19.42 per cent in FY2021(Prov) from 15.14 per cent in FY2020. The PAT margin increased to 5.94per cent in FY2021(Prov) from 2.27 per cent in FY2020. However, the return on capital employed (ROCE) of the company increased to 37.85 per cent in March 31, 2021(Prov) as compared to 37.60 per cent in March 31, 2020.

Weaknesses

1. Average financial risk profile: The company's average financial risk profile is marked by low networth, high gearing and healthy debt protection metrics. The company's networth has remained modest at around Rs. 5.62 crores as on March 31, 2021(Prov) as against Rs. 3.62 crores as on March 31,2020. The company has high gearing at 2.46 times as on March 31, 2021(Prov) as against 2.51times as on March 31, 2020. The debt of Rs.13.85 crore mainly consists of long-term debt of Rs.0.82 crore, unsecured loan from directors/managers of Rs 5.08 crore and short-term debt of Rs.7.95 crore. The Total outside Liabilities/Tangible Networth (TOL/TNW) stood high at 3.33 times as on March 31, 2021(Prov) as against 3.78 times as on March 31, 2020. The debt protection metrics of the company is marked by Interest Coverage Ratio at 2.17 times as on March 31, 2021(Prov) as against 1.43 times as on March 31, 2020 and Debt Service Coverage Ratio at 1.88 times as on March 31, 2021(Prov) as against 1.32 times as on March 31, 2020. Acuité believes going forward the financial risk profile is expected to remain in the same level in absence of any major debt funded capex plans.

2. Working capital Intensive Nature of Operations: The working capital management of the company is intensive marked by high Gross Current Assets (GCA) of 151 days in March 31,2021(Prov) as compared to 108 days in March 31, 2020. The GCA days are high on account of high debtor period. The debtor period stood high at 88 days in March 31, 2021(Prov) as compared to 7 days in March 31, 2020. The debtor days are due to bills payable by insurance companies in workshops. However, the inventory holding stood low at 19days in March 31, 2021(Prov) as compared to 65 days as on March 31, 2020. Acuité believes that working capital management of the company will remain a key credit monitorable.

Rating Sensitivities

- Elongation of working capital cycle.
- Improvement in financial risk profile

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by net cash accruals of Rs.2.81 crores as on March 31, 2021 as against Nil long term debt repayment over the same period. The current ratio stood high at 1.48 times as on March 31, 2021(Prov) as compared to 0.94 times as on March 31, 2020. The fund-based limit remains utilised at 51.86 percent. The cash and bank balances of the company stood at Rs. 0.04 crores as on March 31, 2021(Prov), as compared to Rs. 0.12 crores as on March 31, 2021(Prov). The company had taken up moratorium of ECGS borrowing of Rs 9.00 Cr. The working capital management of the company is moderate

marked by moderate Gross Current Assets (GCA) of 79 days in March 31, 2021(Prov) as compared to 92 days in March 31, 2020.

Outlook: Stable

Acuité believes that ISPL group will maintain a 'Stable' outlook over the medium term from the long experience of its management and comfortable financial risk profile. The outlook may be revised to 'Positive' if there is substantial improvement in its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	33.80	28.02
PAT	Rs. Cr.	2.01	0.64
PAT Margin	(%)	5.94	2.27
Total Debt/Tangible Net Worth	Times	2.46	2.51
PBDIT/Interest	Times	2.17	1.43

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
01 Oct 2020	Proposed Bank Facility	Short Term	2.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	0.85	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	6.98	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	5.17	ACUITE A4 (Downgraded and Issuer not co-operating*)
10 Jul 2019	Proposed Long Term Loan	Long Term	6.98	ACUITE BB- (Issuer not co-operating*)
	Cash Credit	Long Term	0.85	ACUITE BB- (Issuer not co-operating*)
	Proposed Bank Facility	Short Term	2.00	ACUITE A4+ (Issuer not co-operating*)

	Bank Guarantee	Short Term	5.17	ACUITE A4+ (Issuer not co-operating*)
17 Apr 2018	Cash Credit	Long Term	0.85	ACUITE BB- (Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	6.98	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	5.17	ACUITE A4+ (Issuer not co-operating*)
	Proposed Short Term Loan	Short Term	2.00	ACUITE A4+ (Issuer not co-operating*)
25 Jan 2017	Cash Credit	Long Term	0.85	ACUITE BB- Stable (Assigned)
	Proposed Bank Facility	Long Term	6.98	ACUITE BB- Stable (Assigned)
	Bank Guarantee	Short Term	5.17	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Short Term	2.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	5.17	ACUITE A4+ Upgraded (from ACUITE A4)
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	8.33	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.85	ACUITE BB Stable Upgraded (from ACUITE B+)
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.65	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.02	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	6.98	ACUITE BB Stable Upgraded (from ACUITE B+)
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ Upgraded (from ACUITE A4)

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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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