Press Release

Excel Process Private Limited

April 26, 2021

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr
Long Term Rating	ACUITE B+/Outlook: Stable (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE B+' (read as ACUITE B plus)** on the Rs. 10.00 Cr bank facilities of Excel Process Private Limited (EPPL). The outlook is **'Stable'**.

About the Company

Excel Process Private Limited, Gujarat based private limited company was incorporated in 1960 by Mr. Prabubhai Desai. The company is in the line of manufacturing industrial nameplates, heat sinks, monograms & logos, speaker grills and specialized panels. The company's manufacturing facility is located in Gujarat with a current capacity of 11,825 Components, 833 Engraving products, 2,17,280 Grills, 5,11,152 Heat Sink, 30 Jobwork orders, 4,01,47,233 Labels, 22,68,825 Logos and 78,185 Panels.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Excel Process Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced promoters**

Excel Process Private Limited was incorporated in 1960 by Mr. Prabubhai Desai. The company is being managed by experienced directors and promoters. Collectively, they have around six decades of experience in the industry. The company has a team of experienced and capable professionals, having over a decade of experience in the segment, to look after the overall management.

- **Established relationships with its reputed clientele**

Company vintage, alongside long track record of operations has enabled it to forge healthy relationships with its customers and suppliers. The company cates majority of its revenue from Original Equipment's Manufacturers (OEM's) of large companies from various sectors and has developed an established & longstanding relationships with its customers. OEMs contribute over ~90% of the company revenue over the years. The clientele of the group includes reputed players like Godrej, Aditya Birla, Bajaj, Whirlpool, L&T, Ahuja, Mercedes Benz, Tata, Philips, Videocon, Mahindra. Strong association with these original equipment manufacturers (OEMs), results in increasing and repeat order flow. Further, the experience of promoters continues to help the company to improve its product profile and client base and the top five clients contribute to around 63% in FY2020 of the total sales indicating a moderately concentrated client base.

Weaknesses

- **Modest Scale of operations**

EPPL has registered an operating revenue of Rs. 13.10 Cr in FY20 as against Rs. 14.45 Cr in FY2019 and Rs. 14.02 Cr in FY2018 due to limited order inflows during the year. The revenue, however, in FY21 is expected to dampen as the operations remained closed from March 2020 to June 2020. While the company resumed its operations post June 2020 on a minimum working strength, the operations stabilized from September 2020. Further, the company also availed moratorium during the Covid-19 circumstances and the company expects to achieve an operating income of ~Rs. 12.5 Cr in FY2021 as the company has achieved a revenue of Rs. 10.76 Cr in 11MFY21. Nonetheless, the scale of operations remains relatively modest at the absolute levels.

- **Highly levered capital structure albeit moderate financial risk profile**

EPPL's financial risk profile is highly leveraged, marked by a modest networth, high gearing and moderate debt protection measures. EPPL's networth has remained modest at around Rs. 1.52 crore as on March 31, 2020. The networth levels have remained modest due to modest scale of operations and a high gearing of 8.90 times as on March 31, 2020 as against 9.12 times as on March 31, 2019 and 8.16 times as on March 31, 2018. The interest coverage ratio (ICR) stood at 1.50 times in FY2020 (FY19: 1.48x and FY18: 1.53x). The total outside liabilities to tangible net worth stood at 1.43x as on March 31, 2020 (FY19: 1.61x and FY18: 1.45x). Though, the revenues of the company are expected to remain in the range of Rs. ~12-14 crore over the medium term, the operating margins are likely to remain range bound at ~11-14 per cent over medium term.

- **Working capital intensive nature of operations**

EPPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 333 days as on March 31, 2020. The nature of the business requires the company to hold its inventory until the duration of the complete order as company's products are all custom made for its clients requirements and therefore maintains an inventory of around 69 days as the in-transit time is around 49 days. The company also maintains 20 days of finished goods of inventory in order to cater to spot orders from customers. On the other hand, the company gets a limited credit period from its suppliers, leading to higher reliance on working capital limits. Further, it allows a credit period of 40-60 days to its customers / allows an extended period to acquire new clientele or to penetrate more into newer territories. The working capital limits of the firm remained ~95% utilized for the last twelve months ended in February, 2021.

- **Susceptibility of operating margins to volatility in raw material prices.**

EPPL manufactures industrial nameplates, heat sinks, monograms & logos, speaker grills and specialized panels, which is sold to key customers/OEMs like Godrej, Aditya Birla, Bajaj, Whirlpool, L&T, Ahuja, Mercedes Benz, Tata, Philips, Videocon, Mahindra amongst others, where the company has limited bargaining power due to high competitive pressures within the industry. The company, on the other hand, procures raw materials through domestic markets, the prices of which have remained volatile in the past three years ended FY21. Further, EPPL has limited flexibility while passing on the raw material price changes to the customers leading to volatile profitability as reflected in a range bound EBIDTA at ~11-14 per cent over the last three years.

Rating Sensitivities

- Improving scale of operations while maintaining profitability and improving debt profile
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

Material Covenants: None

Liquidity Position: Stretched

EPPL has stretched liquidity marked by moderate current ratio stood moderate at 2.70 times as on March 31, 2020 and 3.06 times as on March 2019 while the working capital limits of the entity remained ~95% utilized for the last twelve months ended in February, 2021. The liquidity of the entity is likely to remain stretched over the medium term in view of its expected gross cash accruals in the range of ~Rs. 0.90-1.51 Cr in FY21-23 as compared to its debt repayment obligation of Rs. 1.49 - 4.20 Cr. However, the company is expecting to infuse funds via unsecured loans to meet their debt obligations in time.

Outlook: Stable

Acuité believes EPPL will maintain its moderate business risk profile in the medium term on the back of established operations and long standing experience of the promoter in the business. The outlook may be revised to 'Positive' in case of sustaining improvement in revenue and profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the liquidity profile or financial risk profile of the company on account of unanticipated large debt funded capex plan.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	13.10	14.45
PAT	Rs. Cr.	0.09	0.02
PAT Margin	(%)	0.71	0.12
Total Debt/Tangible Net Worth	Times	8.90	9.12
PBDIT/Interest	Times	1.50	1.49

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
- Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.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 (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B+/Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022 49294041 aditya.gupta@acuite.in Shreshtha Singhvi Analyst – Rating Operations Tel: 022 49294064 shreshtha.singhvi@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022 49294011 rating.desk@acuite.in

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 6,000 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 Mumbai.