

Press Release

Excel Process Private Limited

July 19, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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**'.

Rationale for rating assigned

The ratings reaffirmation takes into account the consistent operating and financial performance of EPPL. The operating income stood at Rs.14.69 Cr in FY2022(prov.) as against Rs.11.88 Cr in FY2021. The financial risk profile continues to remain moderate and operations working capital intensive.

About the Company

Excel Process Private Limited, is a Gujarat based private limited company which 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 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

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

Key Rating Drivers

Strengths

Established track record of operations with experienced management and reputed clientele

Excel Process Private Limited was incorporated in 1960 by Mr. Prabubhai Desai. The company is currently owned and operated by Mr. Harish Prabhubhai Desai, Mr. Vinay Prabhubhai Desai

and Mr. Neel Harish Desai along with other family members. The directors on an average have more than two decade of industry experience and are involved in day-to-day operations of the Company. The directors are also ably supported by an experienced team of industry experts and professionals, to look after the overall management.

The Company's vintage, which spans to over six decades of operations has enabled it to forge healthy relationships with its customers and suppliers. The company generates majority of its revenue from original equipment's manufacturers (OEM's) of large companies from various sectors. and has developed an established & longstanding relationship with its customers. OEMs contribute over ~90% of the company revenue over the years. The clientele of the Company includes reputed players like Godrej, Whirlpool, L&T and Ahuja. Strong association with these original equipment manufacturers (OEMs), results in increasing and repeated order flow.

Acuité believes that the company will sustain its existing business profile over the medium term on the back of an established track record of operations with an experienced management and reputed clientele.

Weaknesses

Highly levered capital structure albeit moderate financial risk profile

EPPL has moderate financial risk profile marked by tangible net worth of Rs.1.59 crore as on March 31, 2021 as against Rs.1.52 crore as on March 31, 2020. The gearing level of the company stood at 8.75 times as on March 31, 2021 as against 8.90 times as on March 31, 2020. However, the adjusted gearing level is 6.51 times as on March 31, 2021 and 7.83 times as on March 31, 2020. The total debt outstanding of Rs. 13.91 crore as on March 31, 2021 comprises of long-term debt of Rs. 7.55 crore, unsecured loans from directors and promoters of Rs. 3.55 crore and short-term debt of Rs. 2.81 crore.

The coverage ratios of the company are moderate with Interest Coverage Ratio (ICR) of 1.52 times for FY21 as against 1.50 times for FY20. Also, the Debt Service Coverage Ratio (DSCR) stood below unity at 0.79 times for FY21 as against 0.92 for FY20. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 11.94 times as on March 31, 2021 as against 11.89 times as on March 31, 2020. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.06 times for FY21.

The ICR for 9MFY22 (Prov.) is 2.04 times and overall gearing and TOL/TNW as on December 31, 2021 (Prov.) stood at 6.67 times and 8.93 times respectively.

Working Capital Intensive Nature of Operations

The operations of the company are of working capital-intensive nature marked by high GCA days of 410 days for FY21 as against 333 days in FY20. The high GCA days is majorly on account of high debtor days of 143 days and inventory days of 76 days for FY21, which stood at 77 days and 69 days respectively in FY20. The creditor days of the company stood at 214 days for FY21 as against 192 days for FY20. The average utilization of the working capital limits of the company remained on the higher side of ~92 percent in last fourteen months ended May' 22.

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 ~14 to 15 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 position marked by modest net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.0.79 crore in FY21 compared against maturing debt obligations of Rs.1.45 crore. The gap was funded by infusion of funds by different sources. The cash accruals of the company are estimated to remain around Rs.1.5-2.5 crore during 2022-24 period while its matured debt obligations are estimated to be in the range of Rs. 0.68 – 1.90 crore during the same period. The average utilization of the working capital limits of the company remained on the higher side of ~92 percent in last fourteen months ended May' 22. Furthermore, the company maintains unencumbered cash and bank balances of Rs.0.04 crore as on March 31, 2021, and the current ratio also stood moderate at 0.98 times as on March 31, 2021.

Outlook: Stable

Acuité believes EPPL outlook with remain 'Stable' over the medium term on account of established track record of operations with experienced management and reputed clientele. The outlook may be revised to 'Positive' in case of significant and sustainable 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	11.88	13.10
PAT	Rs. Cr.	0.03	0.09
PAT Margin	(%)	0.23	0.71
Total Debt/Tangible Net Worth	Times	8.75	8.90
PBDIT/Interest	Times	1.52	1.50

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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
26 Apr 2021	Proposed Bank Facility	Long Term	7.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Ad-hoc Limits (Fund Based)	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B+ Stable Reaffirmed

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About Acuité Ratings & Research

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