

Press Release

Elixir Met Form Private Limited

D-U-N-S® Number: 67-783-7465

March 07, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 14.00 crore bank facilities of Elixir Met Form Private Limited (EMPL). The outlook is '**Stable**'.

Incorporated in 2005, EMPL is involved in the manufacturing, engineering and installation of Roll Forming Sections (UPVC windows, Pre-painted steel windows and Door Frames) and Pre-Engineered Buildings of Lightweight and Heavyweight structures for commercial, industrial and residential purpose. Its clientele majorly include Govt. Departments on direct or sub-contract basis from others.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of EMPL to arrive at the rating

Key Rating Drivers

Strengths

- Experienced promoters and reputed clientele**

EMPL is promoted by Mr. P.V. Narasimha Raju who has two decades of experience in the construction business. The promoter is well supported by the second generation entrepreneurs - Mr. P. Karthik and Mr. P. Praneeth, besides the support of professional team. The promoter's longstanding presence has helped EMPL to be one of the approved vendors of Andhra Pradesh Township and Infrastructure Development Corporation (APTIDCO) for supply of UPVC windows and others.

EMPL is a prominent supplier of UPVC windows, Pre-painted steel windows and Door Frames to leading construction players and executes Government projects for APTIDCO and other Telangana Govt departments. The approvals have helped in securing regular orders on sub-contract basis from large players such as Shapoorji and Pallonji, Vijay Nirman Company Private Limited, L&T Limited, NCC Limited, and TATA Projects Limited, among others of Govt projects.

It has executed several projects of construction of warehouses for AP Seed Corporation, dwelling houses or offices for AP Police Academy, among others. EMPL's revenues have been stable at about Rs.45 crore over the past two years, though modest. It has an unexecuted order book of about Rs.123 crore as on December 2018 for execution over 9-15 months, which gives moderate revenue visibility. Acuite believes that with diversified product portfolio, diversified clientele, experienced management and operational track record, EMPL continues to enjoy the benefit of its business risk profile over the medium term.

- Moderate financial risk profile**

The financial risk profile is moderate marked by moderate gearing (debt-equity), high total outside liabilities to total net worth (TOL/TNW) and moderate debt protection metrics. The gearing is moderate at 1.25 times as on March 31, 2018. TOL/TNW is high at 2.23 times as on March 31, 2018 as against 2.77 times in FY2017. The debt protection metrics of interest coverage ratio and net cash accruals to total debt are moderate at 3.71 times and 0.22 times in FY2018.

EMPL reported moderate cash accruals of Rs.2.20 crore in FY2018. Its expected cash accruals are in the range of Rs.1.50 - 2.00 crore over the medium term, against which its repayment obligations are miniscule. Acuite believes that with moderate cash accruals and no significant capex plans, the financial risk profile is expected to BE similar over the medium term.

Weaknesses

• Moderate scale of operations though improving

Revenues of the company are modest over the last two years through FY2018 at about Rs.45 crore. EMPL has an unexecuted order book position of about Rs.123 crore as of December 2018; though the company has reported revenues of about Rs.59.0 crore from diversified revenue segments for nine months through December 2018, and is expecting the revenues in the range of Rs.70.0 – 100.0 crore over the medium term. The same are modest within the industry dominated by large players such as TATA Bluescope Steel Limited and Kirby Building Systems India Private Limited, among others. Improving the scale of operations while maintaining the profitability is a key rating sensitivity factors over the medium term.

• Working capital intensive operations

EMPL's operations are working capital intensive as reflected in the Gross Current Assets (GCA) of around 167 days in FY2018. The high GCA days emanates from the company's high receivable cycle and moderate inventory holding. The receivables are high at 119 days, whereas inventory levels are moderate at about 28 days in FY2018. High GCA lead to high utilisation of working capital limits over the past six months ended November 2018 at about 96 percent leaving minimal scope for any exigency. Acuite believes that the working capital operations of the EMPL will remain high as evident from high GCA and Govt projects.

Liquidity

EMPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.20 - 2.20 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.15 crore over the same period. The cash accruals of the company are estimated to be around Rs.3.0 – 5.75 crore during 2019-21, while their repayment obligations are minuscule. EMPL has invested sizeable amount of about Rs.2.00 crore on capex over the last two years, and no significant capex is envisaged over the medium term. The current ratio of the company stands at 1.32 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals and no major capex over the medium term.

Outlook: Stable

Acuite believes that EMPL will maintain a 'Stable' outlook over the medium term backed by moderate order book and promoter's relations with the clients. The outlook may be revised to 'Positive' in case of significant improvement in its revenue profile, while improving its profitability and maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of larger-than-expected working capital requirement, or any significant capex leading to deterioration of its financial risk profile and pressure on its liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	44.86	44.83	36.10
EBITDA	Rs. Cr.	3.90	3.32	2.28
PAT	Rs. Cr.	1.90	1.56	1.01
EBITDA Margin	(%)	8.70	7.40	6.31
PAT Margin	(%)	4.23	3.49	2.80
ROCE	(%)	25.33	33.34	55.33
Total Debt/Tangible Net Worth	Times	1.25	1.11	1.03
PBDIT/Interest	Times	3.71	4.41	3.73
Total Debt/PBDIT	Times	2.51	1.75	1.70
Gross Current Assets (Days)	Days	167	132	118

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.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	10.00	ACUITE BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+

Contacts

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About Acuité Ratings & Research:

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