

Press Release

Elixir Met Form Private Limited

July 01, 2021



Rating Upgraded and Assigned

Total Bank Facilities Rated#	Rs.25.00 Cr. (Enhanced from Rs.14.00 Cr)
Long Term Rating	ACUITE BB/Stable (Upgraded and Assigned)
Short Term Rating	ACUITE A4+ (Upgraded and Assigned)

#Refer Annexure for details

Rating Rationale

Acuité has upgraded and assigned its long-term rating of '**ACUITE BB**' (**read as ACUITE Double B**) from '**ACUITE BB-'** (**read as ACUITE Double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A Four plus**) from '**ACUITE A4**' (**read as ACUITE A4**) on the Rs.25.00 Cr bank facilities of Elixir Met Form Private Limited (EMFPL). The outlook is '**Stable**'.

The rating takes into account the extensive experience of the promoters, long track record of operations and healthy financial risk profile of EMFPL. The rating is constrained by the modest scale and working capital intensive nature of operations of EMFPL. Further, the industry in which EMFPL operates is characterized to be highly competitive and fragmented in nature. Going forward improvement in scale of operations without any deterioration in operating profitability and maintaining the capital structure of the Company will be a key monitorable.

About the Company

Incorporated in 2005 by Mr. P.V.Narasimha Raju, Elixir Met Form Private Limited (EMFPL) is involved in the manufacturing, engineering and installation of Roll Forming Sections (UPVC windows, Pre-painted steel windows and Door Frames) & undertaking civil construction project predominantly pre-engineered buildings of lightweight and heavyweight structures for commercial, industrial and residential purpose for clients across private sector, state government departments (mainly in the states of Telangana and Andhra Pradesh) and central government departments on tender basis. The Company has two manufacturing facilities, one in Hyderabad and one in Bonthapally Village, Medak District Telangana.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of EMFPL for arriving at this rating.

Key Rating Drivers

Strengths

- **Extensive experience of promoters and long track record of operations**

Incorporated in 2005, EMFPL is promoted by Mr. P.V. Narasimha Raju along with his family members. Mr. P.V. Narasimha Raju is an engineer with nearly thirty-five years of industry experience. He oversees the business, along with his sons, Mr. P. Karthik, Mr. P. Praneeth, both are Post Graduates. All of them are actively involved in day to day operations of the entity.

Acuité believes that EMFPL will continue to benefit from the extensive experience of its promoters and long track record of operations.

- **Healthy financial risk profile**

The financial risk profile is healthy marked by low gearing and moderate net worth. EMFPLs net-worth stood at Rs.16.63 Cr as on March 31, 2021 (Provisional) as against Rs.14.18 Cr as on March 31, 2020 and Rs.12.39 Cr as on March 31, 2019. The improvement was on account of accretion of profits to reserves.

The total debt of the Company stood at Rs.10.19 Cr as on March 31, 2021 (Provisional) which included working capital borrowings of Rs.6.09 Cr, long term borrowings Rs.3.82 Cr and unsecured loans from promoters and directors of Rs.0.28 Cr. The overall gearing stood at 0.61 times as on March 31, 2021 (Provisional) as against 0.90 times as on March 31, 2020 and 0.60 times as on March 31, 2019. Total Outside Liabilities to Tangible Net-worth ratio stood at 1.35 times as on March 31, 2021 as against 2.02 times as on March 31, 2020 and 2.26 times as on March 31, 2019. The interest coverage stood at 3.64 times in FY2021 (Provisional) as against 2.69 times in FY2020 and 5.01 times in FY2019. The Debt/EBITDA stood at 1.94 times in FY2021 (Provisional) as against 2.74 times in FY2020 and 0.94 times in FY2019. With no major debt funded capital expenditure planned to be executed, the overall gearing of the Company is expected to remain around 0.40-0.60 times and Debt/EBITDA to range between 1.20-1.85 times over the medium term.

Acuité expects in the absence of any major debt funded capital expenditure, the financial risk profile of EMFPL is expected to remain healthy over the medium term.

Weaknesses

- **Working capital intensive nature of operations**

EMFPL's operations are working capital intensive. The same is reflected in GCA days of 295 days as on March 31, 2021 (Provisional) as against 378 days as on March 31, 2020 and 144 days as on March 31, 2019. The GCA days are driven by debtor days and inventory days. The debtor days stood high at 190 days as on March 31, 2021 (Provisional) as against 316 days as on March 31, 2020 and 120 days as on March 31, 2019. Due to slower than expected pace of order execution, debtor payments have been delayed. The inventory days were recorded at 41 days as on March 31, 2021 (Provisional) as against 41 days as on March 31, 2020 and 13 days as on March 31, 2019.

Acuité expects EMFPL operations to remain working capital intensive over the medium term.

- **Modest scale of operations**

EMFPL's operating income declined to Rs.32.98 Cr in FY2020 as against Rs.81.36 Cr in FY2019. The Company generated an operating income of Rs.37.16 Cr in FY2021 (Provisional). The decline in revenue is attributable to change in product profile of the Company and slower than expected pace of order execution. Until FY2019, EMFPL focused on sale of entire windows and door sets to end customers along with onsite engineering and installation services, however, from FY2020 onwards, the focus was shifted to sale of window and door profiles to its channel partners. The Company aims to build a large network of channel partners pan India over the medium term.

Acuité believes that EMFPL's ability to improve its scale of operations over the medium term will remain a key monitorable.

- **Highly competitive and fragmented industry**

The business segment in which EMFPL operates is a high competitive space, with large number of organized and unorganized players. The high competition level also restricts the bargaining power of the players.

Liquidity Position: Adequate

EMFPL generated net cash accruals of Rs.3.00 Cr and Rs.2.25 Cr in FY2021 (Provisional) and FY2020 respectively while its debt obligation to pay during the same period stood at Rs.0.07 Cr and Rs.0.12 Cr respectively. The cash accruals of the Company are expected to remain in the range of Rs.3.73-5.81 Cr over the medium term, while its repayments are estimated to be in the range of Rs.0.72-0.96 Cr for the same period. VTEPL's operations remain working capital intensive with gross current asset (GCA) days of 295 days estimated as on March 31, 2021 (Provisional) as against 378 days as on March 31, 2020. The average bank limit utilization of its fund based facility for the twelve months ended May, 2021 stood at 54 percent. The unencumbered cash and bank balance was Rs.4.46 Cr as on March 31, 2021 (Provisional). The current ratio was 1.93 times as on March 31, 2021 (Provisional). Acuité believes that the liquidity of the Company is likely to remain adequate over the medium term on account of sufficient cash accruals against debt repayments due and low unutilized bank limits impacted to some extent due to elongated working capital cycle.

Material Covenants

None

Rating Sensitivities

- Improvement in scale of operations while maintaining its operating profitability
- Any deterioration in the capital structure

Rating Outlook: Stable

Acuité believes that EMPL will maintain a stable outlook over medium term on account of extensive experience of its promoters, long track record of operations and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company achieves higher than expected improvement in its scale of operations and profitability while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of further decline in scale of operations or deterioration in financial risk profile adversely affecting its liquidity position.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	37.16	32.98
PAT	Rs. Cr.	2.44	1.79
PAT Margin	(%)	6.58	5.44
Total Debt/Tangible Net Worth	Times	0.61	0.90
PBDIT/Interest	Times	3.64	2.69

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>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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)

Date	Name of the Instrument/Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
30-Mar-2020	Cash Credit	Long Term	10.00	ACUITE BB/Stable (Downgraded from ACUITE BB) Issuer not cooperating*
	Letter of Credit	Short Term	1.50	ACUITE A4 (Downgraded from ACUITE A4+) Issuer not cooperating*
	Bank Guarantee	Short Term	2.50	ACUITE A4 (Downgraded from ACUITE A4+) Issuer not cooperating*
07-March-2019	Cash Credit	Long Term	10.00	ACUITE BB/Stable (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Assigned)

*The issuer did not co-operate; Based on best available information

***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	14.50 (Enhanced from Rs.10.00 Cr)	ACUITE BB/Stable (Upgraded and Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00 (Enhanced from Rs.1.50 Cr)	ACUITE A4+ (Upgraded and Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50 (Enhanced from Rs.2.50 Cr)	ACUITE A4+ (Upgraded and Assigned)

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About Acuité Ratings & Research:

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