

Press Release

Elixir Met Form Private Limited

September 19, 2022

Rating Reaffirmed



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---------------------------------------|---------------------|------------------------------------|----------------------------|
| Bank Loan Ratings | 18.50 | ACUITE BB Stable Reaffirmed | - |
| Bank Loan Ratings | 6.50 | - | ACUITE A4+ Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 25.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A Four plus**) 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 moderate financial risk profile of EMFPL. The rating is constrained by stiff competition and working capital intensive nature of operations of EMFPL

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

Acuite 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.

Moderate Financial Risk Profile:

EMFPL's gearing is healthy and stood at 0.34 times as on March 31, 2022 (Provisionals) against 0.62 times as on March 31, 2021. EMFPL's Net worth is moderate at Rs.18.55 Cr as on March 31, 2022(Provisional) against Rs.16.36Cr for previous year. The improvement was on account of accretion of profits to reserve. Total outside liabilities to total tangible net worth (TOL/TNW) as on March 31, 2022(Provisionals) stood healthy at 0.86 times from 1.27 times in previous year. This is on account of decreased short term debt and payables to Rs.6.08Cr and Rs.5.84Cr respectively in FY22 from Rs.10.21Cr and Rs.7.21Cr in FY21. EMFPL's Debt protection metrics are moderate marked by interest coverage ratio, Debt service coverage ratio and Net cash accruals to total debt (NCA/TD) of 2.48 times, 2.12 times and 0.38 times respectively as on March 31, 2022 (Provisionals) against 3.31 times, 2.64 times and 0.25 times as on March 31, 2021. Acuite believes that financial risk profile of the company will improve over the medium term.

Weaknesses

Intensive working capital operations:

EMFPL's operations are working capital intensive. The same is reflected in GCA days of 260 days as on March 31, 2022(Provisional) as against 295 days as on March 31, 2021. The GCA days are driven by debtor days and inventory days. The debtor days stood at 174 days as on March 31, 2022(Provisional) as against 197 days as on March 31, 2021. The inventory days increased to 71 days as on March 31, 2022(Provisional) as against 45 days as on March 31, 2022. Acuite believes that the working capital operations will improve over the medium term.

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

Rating Sensitivities

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

Material covenants

None

Liquidity: Adequate

EMFPL has adequate NCA of Rs.2.39Cr in FY22 (Provisionals) against debt repayment obligation of below Rs.0.1Cr. The company is expected to generate adequate NCA's in the range of Rs.3.3Cr to Rs.4.5Cr in the medium term. Unencumbered cash and bank balances stood low at Rs.0.03Cr as on March 31, 2022 (Provisionals) with current ratio of 1.90 times. Acuite believes that the liquidity position of EMFPL will remain adequate in the medium term on account of healthy NCA's.

Outlook: Stable

Acuité believes that EMFPL 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.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 22 (Provisional) | FY 21 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 36.16 | 37.16 |
| PAT | Rs. Cr. | 2.19 | 2.18 |
| PAT Margin | (%) | 6.05 | 5.87 |
| Total Debt/Tangible Net Worth | Times | 0.34 | 0.62 |
| PBDIT/Interest | Times | 2.48 | 3.31 |

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

EMFPL'S rating was migrated to 'ISSUER NON COOPERATING' status with CRISIL, through its rating rationale dated May 18, 2022. The reason provided by CRISIL is non-furnishing of information by EMFPL.

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>
- 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 Jul 2021 | Cash Credit | Long Term | 14.50 | ACUITE BB Stable (Upgraded from ACUITE BB-) |
| | Bank Guarantee | Short Term | 3.50 | ACUITE A4+ (Upgraded from ACUITE A4) |
| | Proposed Term Loan | Long Term | 4.00 | ACUITE BB Stable (Assigned) |
| | Letter of Credit | Short Term | 3.00 | ACUITE A4+ (Upgraded from ACUITE A4) |
| 30 Mar 2020 | Letter of Credit | Short Term | 1.50 | ACUITE A4 (Downgraded and Issuer not co-operating*) |
| | Cash Credit | Long Term | 10.00 | ACUITE BB- (Downgraded and Issuer not co-operating*) |
| | Bank Guarantee | Short Term | 2.50 | ACUITE A4 (Downgraded and Issuer not co-operating*) |
| 07 Mar 2019 | Bank Guarantee | Short Term | 2.50 | ACUITE A4+ (Assigned) |
| | Letter of Credit | Short Term | 1.50 | ACUITE A4+ (Assigned) |
| | Cash Credit | Long Term | 10.00 | ACUITE BB Stable (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|------------------------------------|------------------|----------------|----------------|-------------------|---------------------------------|
| Union Bank of India | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 3.50 | ACUITE A4+ Reaffirmed |
| Union Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 14.50 | ACUITE BB Stable Reaffirmed |
| Union Bank of India | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE A4+ Reaffirmed |
| Not Applicable | Not Applicable | Proposed Long Term Loan | Not Applicable | Not Applicable | Not Applicable | 4.00 | ACUITE BB Stable Reaffirmed |

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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