

Press Release

Zenith Die Makers Private Limited

D-U-N-S® Number: 67-548-2730



March 25, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 35.00 crore bank facilities of Zenith Die Makers Private Limited (ZDMPL). The outlook is '**Stable**'.

The Karnataka based, ZDMPL was established as a proprietorship firm in 1985 by Mr. Vishwanath Sanil and the constitution was changed into private limited company in 1996. The company is engaged in manufacturing of tools and dies for printing and packaging industry. The manufacturing unit is located in Karnataka having an installed capacity of 40000 units per annum with average utilisation of ~70 percent.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of ZDMPL to arrive at this rating.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

ZDMPL was established in 1985 as a proprietorship firm and later in 1996, the constitution was changed into private limited company. Thus, have an operational track record of over three decades. Mr. Vishwanath Sanil (Managing Director) has an experience of over three decades in die making industry. Hence, long track records of operations and vast experience of management has helped the company develop healthy relationship with its customers and suppliers. Acuite believes that ZDMPL will sustain its existing business profile on the back of established track record of operations and experienced management.

• Moderate financial risk profile

The financial risk profile of the company remained moderate marked by net worth of Rs. 7.49 crore as on 31 March, 2018 as against Rs. 7.02 crore as on 31 March, 2017. The gearing (debt-equity) stood comfortable at 0.30 times as on 31 March, 2018 as against 0.40 times as on 31 March, 2017. The total debt of Rs. 2.26 crore as on 31 March, 2018 mainly comprises Rs.1.86 crore of working capital facility and Rs. 0.40 crore of unsecured loans. Interest Coverage Ratio (ICR) stood at 5.31 times for FY2018 as against 1.37 times for FY2017. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.64 times in FY2018 and 0.06 times in FY2017. Debt to EBITDA stood at 1.14 times in FY2018 as against 5.00 times in FY2017.

Weaknesses

• Fluctuating revenues and profitability

The company has small scale of operations marked by Rs. 8.26 crore in FY2018 as against Rs. 10.83 crore in FY2017 and Rs. 10.30 crore in FY2016. Further, the company's operating margins have shown a fluctuating trend at 24.05 percent in FY2018 as against 4.43 percent in FY2017 and 21.06 percent in FY2016. ZDMPL reported a PAT (Profit after Tax) of Rs. 0.44 crore as against PAT loss of Rs. 0.97 crore.

• Working capital intensive operations

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 221 days for FY2018 as against 116 days for FY2017. This is mainly due to high inventory of 125 days for FY2018 as against zero inventory days for FY2017. The debtor days stood at 125 days for FY2018 as against 116 days for FY2017. Acuite believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 1.46 crore for FY2018 while its maturing debt obligations were Rs. 0.16 crore for the same period. The cash accruals of the company are estimated to remain in the range of ~ Rs. 2.00 crore to Rs. 4.00 crore during 2019-21 while its repayment obligation are estimated to be ~Rs. 3.00 crore to Rs. 4.00 crore. The company's working capital operations are intensive marked by gross current asset (GCA) days of 221 days for FY2018. The company maintains unencumbered cash and bank balances of Rs. 0.08 crore as on 31 March 2018. The current ratio stands at 1.20 times as on 31 March 2018.

Outlook: Stable

Acuite believes that ZDMPL will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	8.26	10.83	10.30
EBITDA	Rs. Cr.	1.99	0.48	2.17
PAT	Rs. Cr.	0.44	-0.97	0.23
EBITDA Margin	(%)	24.05	4.43	21.06
PAT Margin	(%)	5.32	-8.99	2.25
ROCE	(%)	9.78	-5.67	16.60
Total Debt/Tangible Net Worth	Times	0.30	0.40	0.35
PBDIT/Interest	Times	5.31	1.37	4.71
Total Debt/PBDIT	Times	1.14	5.00	1.27
Gross Current Assets (Days)	Days	221	194	221

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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	2.00	ACUITE BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BB- / Stable

Contacts

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About Acuité Ratings & Research:

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