

Press Release

Zitron India Private Limited

February 05, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned the short-term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs. 10.00 crore bank facilities of ZITRON INDIA PRIVATE LIMITED (ZIPL).

Incorporated in 2001 by Late Mr. K R Dhadwal & Mr. Indrajit Dhadwal, ZIPL is engaged in the business of designing, manufacturing, installation and commissioning of Ventilation Systems for mining and underground construction projects for customers such as Hindustan Zinc Limited and Afcons Infrastructure Limited, to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

Incorporated in the year 2001, ZIPL is promoted by Late Mr. K R Dhadwal & Mr. Indrajit Dhadwal. The company is engaged in the business of designing, manufacturing, installation and commissioning of Ventilation Systems for mining and underground construction projects. The directors of the company have over a decade of experience in the aforementioned industry, adding value to the organization through their expertise. ZIPL's clientele includes companies such as Hindustan Zinc Limited and Afcons Infrastructure Limited, to name a few.

ZIPL is expected to continue to leverage its established relationships with reputed clients and suppliers. Acuite believes that ZIPL will continue to benefit from its established track record of operations and experienced management and their long standing relationships with reputed customers and suppliers.

• Moderate Financial Risk Profile

The financial risk profile of the company is healthy marked by moderate gearing, debt protection metrics and coverage indicators.

The net worth of ZIPL is modest, estimated at around Rs. 5.26 crore as on 31st March, 2019. The net worth levels have seen significant improvement in the last year on account of healthy profitability.

The company has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.45 times and 1.30 times as on March 31, 2018. The leverage levels continue to remain low at around 0.27 times as on March 31, 2019. The total debt of Rs. 1.40 crore as on 31 March 2019 comprises of long-term borrowings. ZIPL's cash accruals over the next two years through 2021 are estimated to remain in the range of Rs.0.85 crores to Rs. 0.95 crores which are comfortable to service its repayment obligations while supporting incremental working capital requirements to an extent.

The revenues of the company improved to Rs. 15.63 crore during 2018-19, while its operating margins improved from (29.58) per cent in FY2018 to 7.08 per cent in FY2019. The moderate profitability levels coupled with moderate debt levels has led to moderate debt protection measures. The NCA/TD and interest coverage ratio for FY 2019 were moderate at 0.57 times and 4.60 times, respectively.

Acuite believes that the financial risk profile of the company is expected to remain moderate on back of absence of any major debt funded capex plan and healthy accretion to reserves.

Weaknesses

- **Working Capital intensive nature of operations**

ZIPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 177 days as on March 31, 2019. ZIPL's inventory days stood at 71 days as on 31st March, 2019. The company gets a credit period of around 120-140 days from its suppliers. Further, it allows a credit period of 90 days to its customers.

Acuite expects the operations of the company to remain working capital intensive on account of the high inventory levels maintained by the company and extended credit period offered to customers.

Liquidity position: Adequate

The company has adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.79 crore during FY2019, against no significant maturing debt obligations. The cash accruals of the company are estimated to remain in the range of Rs. 0.85 crore to Rs. 0.95 crore in FY2020-21 as against no significant repayment obligations. The current ratio of the firm stood healthy at 1.79 times as on March 31, 2019. The average fund based working capital utilization for trailing six months stood at ~73 per cent ended Dec, 2019. The liquidity position derives comfort from cash and cash equivalents of ZIPL which stood at Rs 0.30 crore as on March31, 2019 (PY: 0.05 crore).

Acuite believes that the liquidity profile of the company is likely to remain adequate over the medium term on account of moderate cash accrual to its maturing debt obligations.

Rating Sensitivities

- Improvement in scale of operations
- Improvement in GCA days to less than 150 days.
- Deterioration in financial risk profile.

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	15.63	5.22
PAT	Rs. Cr.	0.53	(1.34)
PAT Margin	(%)	3.39	(25.59)
Total Debt/Tangible Net Worth	Times	0.27	0.45
PBDIT/Interest	Times	4.60	(18.88)

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.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/criteria-complexity-levels.htm>

Rating History (Up to 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. Crore)	Ratings/Outlook
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.98	ACUITE A4 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Assigned)
Proposed Non-Fund based facility	Not Applicable	Not Applicable	Not Applicable	1.02	ACUITE A4 (Assigned)

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