

Press Release

Zitron India Private Limited

January 04, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	10.00		ACUITE A4 Reaffirmed
Bank Ratings Loan	3.00	ACUITE B+ Stable Assigned	
Total	13.00	-	-

Rating Rationale

Acuite has reaffirmed 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.

Also Acuite has assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs 3.00 crore bank facilities of Zitron India Private Limited (ZIPL). The outlook is '**Stable**'.

About the Company

New Delhi based 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 moderate marked by moderate gearing, debt protection metrics and coverage indicators. The net worth of ZIPL is modest, estimated at

around Rs 5.38 crore as on 31st March 2021 (Provisional) and Rs. 5.26 crore as on 31st March, 2019. 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 5.57 times and 2.68 times as on March 31, 2021 (Provisional) and 2020 respectively. The gearing level (debt-equity) remained at 1.77 times as on 31 March, 2021 (Prov) as against 0.20 times as on 31 March, 2020. The total debt of Rs. 9.53 crore as on 31 March 2021 (Provisional) comprises of short term debt of Rs. 9.53 crore. 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. 36.29 crore as on 31st March 2021 and Rs 15.00 crore as on FY-2020, while its operating margins deteriorated to 3.82 per cent. 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 0.12 times and 1.51 times, respectively. Acuité 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.

Weaknesses

- **Working capital intensive nature of operations**

The company has working capital intensively managed marked by Gross Current Assets (GCA) of 247 days in FY-2021 (Provisional) as against 325 days in FY-2020. The GCA days are majorly dominated by the debtors and other current assets. The debtor days stood at 107 days in FY2021 and 152 days in FY2020. The other current assets mainly consist of security deposits and advances to suppliers. The company maintains an inventory of around 112 days. On the other hand, the company gets a credit period of around 251 days from its suppliers. ZIPL's working capital limits over the last six month period ending was utilized at an average of 86 per cent

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.

Rating Sensitivities

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

Material covenants

None

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.1.09 crore during FY2021 (Provisional). The cash accruals of the company are estimated to remain in the range of Rs. 0.85 crore to Rs. 0.95 crore in FY2021-22. The current ratio of the firm stood healthy at 1.12 times as on March 31, 2021 (Provisional). The average fund based working capital utilization for trailing six months stood at ~86 per cent ended. 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.

Outlook: Stable

Acuité believes that ZIPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and reputed clients. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its 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

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	36.29	15.00
PAT	Rs. Cr.	0.75	0.21
PAT Margin	(%)	2.06	1.43
Total Debt/Tangible Net Worth	Times	1.77	0.20
PBDIT/Interest	Times	2.21	6.42

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 Sector: <https://www.acuite.in/view-rating-criteria-51.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>

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.02	ACUITE A4 Reaffirmed
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.98	ACUITE A4 Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ Stable Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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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