

Press Release

Zitron India Private Limited

March 08, 2023



Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	ACUITE B Stable Downgraded	-
Bank Loan Ratings	7.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	13.00	-	-

Rating Rationale

Acuite has downgraded the long term rating from **ACUITE B+ (read as ACUITE B plus)** to '**ACUITE B (read as ACUITE B)**' on the Rs. 6 crore bank facility and reaffirmed the short term rating of '**ACUITE A4 (read as Acuite A four)**' on the Rs. 7.00 crore bank facilities of Zitron India Private Limited (ZIPL). The outlook is 'Stable'.

Rating Rationale:

Acuite has taken into account the fact that the company is having extensive experience in the business of designing, manufacturing, installation and commissioning of Ventilation Systems for mining and underground construction projects and the directors of the company have over a decade of experience in the aforementioned industry, adding value to the organization through their expertise. However, the financials of the company have experienced a major decline in operating revenues, profitability and coverage indicators in financial year 2022. Even though the company has good order book from Larsen and Toubro the financial performance of the company will remain subdued in FY23 on account of delayed dispatch order received from L&T resulting into delay in project completion and shifting of majority revenue in next fiscal i.e. FY24.

About the Company

Incorporated in 2001 by Late Mr. K R Dhadwal & Mr. Indrajit Dhadwal, New Delhi based 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, Larsen & Toubro and Afcons Infrastructure Limited, to name a few.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of 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 directors of the company have over a decade of experience in the aforementioned industry, adding value to the organization through their expertise.

Reputed Clientele

ZIPL's clientele includes companies such as Larsen and Toubro, 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 their long standing relationships with reputed customers and suppliers.

Weaknesses

Intensive Working capital management

The company has working capital intensive nature as apparent from Gross Current Assets (GCA) of 355 days in FY- 2022 as against 249 days in FY-2021. The GCA days are majorly dominated by the debtors and other current assets. The debtor days stood at 204 days in FY2022 and 107 days in FY2021. The company maintains an inventory of around 107 days. On the other hand, the company gets a credit period of around 270 days from its suppliers. ZIPL's working capital limits over the last six months period ending January 2023 was utilized at an average of 94 percent.

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.

Declining operational performance and weak financial risk profile

The operational performance of the company have experienced a major decline in operating revenues, profitability and coverage indicators in financial year 2022. Even though the company has good order book from Larsen and Toubro the financial performance of the company will remain subdued in FY23 on account of delayed dispatch order received from L&T resulting into delay in project completion and shifting of majority revenue in next fiscal i.e. FY24.

The financial risk profile of the company is weak marked by high gearing and negative coverage indicators. The net worth of ZIPL has declined due to losses in FY 22, at Rs 2.22 crore as on 31st March 2022 as compared to Rs. 5.31 crore as on 31st March 2021. The gearing level (debt-equity) stood at 6.73 times as on 31 March 2022 as against 1.79 times as on 31 March 2021. The total debt of Rs. 14.93 crore as on 31 March 2022 comprises of short-term debt of Rs. 12.28 crore and long-term debt of Rs. 2.65 crores (GECL Loan). The NCA/TD and interest coverage ratio for FY 2022 stood at negative levels i.e., at (0.20) times and (0.69) times, respectively.

Rating Sensitivities

- Improvement in GCA days to less than 150 days. Deterioration in financial risk profile.
- Improvement in scale of operations and profitability
- Improvement in capital structure of the company
- Improvement in financial risk profile

Material covenants

None

Liquidity Position Stretched

The company has a stretched liquidity profile marked by negative net cash accruals. The company generated cash accruals of Rs. (2.92) crore during FY2022. The current ratio of the firm stood low at 1.10 times as on March 31, 2022. The average fund based working capital utilization for trailing six months stood at 94 per cent ended Jan 23 giving minimal legroom for growth capital. Acuite believes that the liquidity profile of the company is likely to remain stretched over the medium term on account of negative cash accrual.

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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	26.06	36.70
PAT	Rs. Cr.	(3.28)	0.68
PAT Margin	(%)	(12.59)	1.86
Total Debt/Tangible Net Worth	Times	6.73	1.79
PBDIT/Interest	Times	(0.69)	1.96

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jan 2022	Bank Guarantee	Short Term	7.02	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	2.98	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE B+ Stable (Assigned)
05 Feb 2020	Bank Guarantee	Short Term	5.98	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A4 (Assigned)
	Proposed Bank Facility	Short Term	1.02	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A4 Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE B Stable Downgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Satyam . Analyst-Rating Operations Tel: 022-49294065 satyam.saxena@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.