

Press Release

Theos Metals Trada Private Limited (Erstwhile Electine Arn Alloys Private Limited)



September 04, 2020

Rating Upgraded

Total Bank Facilities Rated*	Rs.9.75 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE B**' (**read as ACUITE B**) from '**ACUITE D**' (**read as ACUITE D**) on the Rs.9.75 crore bank facilities of Theos Metals Trada Private Limited (TMTPL). The outlook is '**Stable**'.

The upgrade is on account of timely servicing of the debt repayment obligation and curing of the default.

Karnataka based, Theos Metals Trada Private Limited (Erstwhile Electine Arn Alloys Private Limited) was incorporated in 2014 and is promoted by Mr. M. V. Hanumanthaiah, Mr. H Lokesh and Mr. Syed Naseer. The company is engaged in manufacturing of lead alloys and lead products from old discarded batteries. The company started its operations from August 2017 and its manufacturing unit is located at Kolar district, Karnataka with an installed capacity of 20 MTPD and average utilization of ~50 percent.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

TMTPL was incorporated in 2014. The promoters of the company; Mr. M. V. Hanumanthaiah, Mr. H Lokesh and Mr. Syed Naseer have an experience of about a decade in the aforementioned line of business. The experience of the management has helped the company to develop healthy relationships with its customers and suppliers.

Acuité believes that TMTPL will continue to benefit from the promoters' established presence in the industry and its improving business risk profile over the medium term.

Weaknesses

• Average financial risk profile

The company has an average financial risk profile marked by modest net worth, high gearing and average debt protection metrics. The net worth stood at Rs.2.29 crore (Prov) as on 31 March, 2020 as against Rs.2.09 crore on 31 March, 2019 due to modest accretion to reserves.

The company has followed an aggressive financial policy in the past; the same is reflected through its high gearing levels of 4.84 times as on March 31, 2019. The gearing improved marginally to 4.23 times (Prov) as on March 31, 2020. The total debt of Rs.9.70 crore (Prov) as on 31 March, 2020 consisted of long term debt of Rs.3.35 crore (Prov), unsecured loans of Rs.0.21 crore (Prov) and working capital requirement of Rs.6.14 crore (Prov). Total outside liabilities to tangible net worth (TOL/TNW) stood at 6.80 times (Prov) as on 31 March 2020 as against 6.68 times as on 31 March 2019.

The company generated cash accruals of Rs.0.99 crore (Prov) in FY2020 as against Rs.0.31 crore in FY2019. The profitability levels, coupled with debt levels, have led to average debt protection

measures. The NCA/TD and interest coverage ratio for FY2020 was moderate at 0.10 times (Prov) and 1.65 times (Prov), respectively.

Acuité believes that the financial risk profile of the company is likely to remain average over the medium term, on account of high gearing and average debt protection metrics.

• Competitive and fragmented industry

The company operates in a highly competitive and fragmented industry, characterised by a large number of players mainly on account of low entry barriers. This can have an impact on the profitability margins of the company.

Rating Sensitivities

- Scaling up of operations
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material Covenants

None

Liquidity position: Stretched

The company has stretched liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.99 crore (Prov) for FY2020, with debt repayment obligations of Rs.0.41 crore (Prov) for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.0.61 crore to Rs.1.39 crore during FY2021-23 against debt repayment obligations of Rs.0.48 crore every year in the same period. The firm's working capital operations are moderately intensive, marked by GCA of 106 days (Prov) for FY2020. The average bank limit utilization over the past six months ended June 2020 remained around ~97.72 percent. The current ratio stood at 0.95 times (Prov) as on 31 March, 2020. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of low cash accruals against its debt repayments over the medium term.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of a significant improvement in working capital operations while maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in scale of the operations or elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	39.43	42.65
PAT	Rs. Cr.	0.20	(0.49)
PAT Margin	(%)	0.51	(1.14)
Total Debt/Tangible Net Worth	Times	4.23	4.84
PBDIT/Interest	Times	1.65	1.18

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
21-Apr-2020	Cash Credit	Long term	6.00	ACUITE D (Downgraded from ACUITE BB-/Stable) Issuer not co-operating*
	Term Loan	Long term	3.75	ACUITE D (Downgraded from ACUITE BB-/Stable) Issuer not co-operating*
06-Feb-2019	Cash Credit	Long term	6.00	ACUITE BB-/Stable (Upgraded from ACUITE B)
	Term Loan	Long term	3.75	ACUITE BB-/Stable (Upgraded from ACUITE B)
16-Oct-2018	Cash Credit	Long term	6.00	ACUITE B (Indicative)
	Term Loan	Long term	3.75	ACUITE B (Indicative)
23-Nov-2017	Cash Credit	Long term	6.00	ACUITE B/Stable (Assigned)
	Term Loan	Long term	3.75	ACUITE B/Stable (Assigned)

*The issuer did not co-operate; based on best available information

*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	6.00	ACUITE B/ Stable (Upgraded)
Term Loan	Not Available	Not Applicable	Not Available	3.35	ACUITE B/ Stable (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE B/ Stable (Upgraded)

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About Acuité Ratings & Research:

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it has assigned more than 6,000 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 Mumbai.

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