

Press Release

**Theos Metals Trada Private Limited
(Erstwhile ARN Alloys Private Limited)**



September 13, 2021

Rating Withdrawn

Total Bank Facilities Rated*	Rs. 9.75 Cr.
Long Term Rating	ACUITE B (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn its long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 9.75 Cr bank facilities of Theos Metals Trada Private Limited (TMTPL).

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

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.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of TMTPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoters**

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. The Company has reported a revenue of Rs.40 Cr for FY2021 (provisional). 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

- **Below-average financial risk profile**

The company has a below-average financial risk profile marked by modest net worth, high gearing and average debt protection metrics. The net worth stood at Rs.1.31 Cr as on 31 March, 2020 as against Rs.0.93 on 31 March, 2019. The company has followed an aggressive financial policy in the past; the same is reflected through its high gearing levels of 7.12 times and Total outside liabilities to tangible net worth (TOL/TNW) as on March 31, 2020 vis-à-vis 12.12 times and 16.24 times as on March 31, 2019. TMTPL's debt protection metrics are moderate marked by interest coverage of 1.54 times and NCA/TD of 0.07 times for FY2020 as against 1.18 times and 0.04 time, respectively, for FY2019. 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.

- **Working capital intensive nature of operations**

TMTPL's working capital operations continue to remain intensive as evident from the GCA of 108 days during FY2020 as against 81 days in FY2019 due to an increase in inventory levels. The inventory holding period has increased to 97 days in FY2020 as against 63 days in FY2019. The working capital intensity is also reflected from the full utilization of its limits at 98 % during the six months ended March 2021 .Acuité expects the operations of the company to remain working capital intensive on

account of the high level of inventories to be maintained.

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.0.74 crore for FY2020, with debt repayment obligations of Rs.0.55 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.0.75 crore to Rs.1.00 crore during FY2021-23 against debt repayment obligations of Rs.0.55-0.75 crore during in the same period. The firm's working capital operations are moderately intensive, marked by GCA of 108 days for FY2020. The average bank limit utilization over the past six months ended March 2021 remained around ~98 percent. The current ratio stood at 0.89 times and it has low cash and bank balances rs.0.03 Cr 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.

Rating Sensitivities

- Scale of operations increase substantially with stable profitability and improving DSCR
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material covenants

None

Outlook: NA

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	39.44	42.65
PAT	Rs. Cr.	0.06	(0.49)
PAT Margin	(%)	0.14	(1.14)
Total Debt/Tangible Net Worth	Times	7.71	12.12
PBDIT/Interest	Times	1.54	1.18

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities In Manufacturing Sector - <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	Size of the Issue (Rs. Cr.)	Ratings/Outlook
04-Sept-2020	Term Loan	Long Term	3.35	ACUITE B /Stable (Upgraded from ACUITE D)
	Cash Credit	Long Term	6.00	ACUITE B /Stable (Upgraded from ACUITE D)
	Proposed Bank Facility	Long Term	0.40	ACUITE B /Stable (Upgraded from ACUITE D)

21-Apr-2020	Term Loan	Long Term	3.75	ACUITE D (Downgraded from ACUITE BB-/Stable) Issuer not co-operating*
	Cash Credit	Long Term	6.00	ACUITE D (Downgraded from ACUITE BB-/Stable) Issuer not co-operating*
06-Feb-2019	Term Loan	Long Term	3.75	ACUITE BB-/Stable (Upgraded from ACUITE B)
	Cash Credit	Long Term	6.00	ACUITE BB-/Stable (Upgraded from ACUITE B)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank of Maharashtra	Term loans	02-06-2017	11.50	28-Feb-2025	3.35	ACUITE B (Withdrawn)
Bank of Maharashtra	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B (Withdrawn)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE B (Withdrawn)

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About Acuite Ratings & Research:

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