



Press Release
EXCELLENT MOULDERS
June 07, 2023

Rating Assigned and Downgraded

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|---------------------|-----------------------------------|------------------------|
| Bank Loan Ratings | 3.58 | ACUITE BBB- Stable Assigned | - |
| Bank Loan Ratings | 6.00 | ACUITE BBB- Stable Downgraded | - |
| Bank Loan Ratings | 7.50 | - | ACUITE A3 Downgraded |
| Total Outstanding Quantum (Rs. Cr) | 17.08 | - | - |

Rating Rationale

Acuite has downgraded the long-term rating to **Acuite BBB- (read as Acuite Triple B Minus)** from **Acuite BBB (read as Acuite Triple B)** and the short-term rating to **Acuite A3 (read as Acuite A Three)** from **Acuite A3+ (read as Acuite A Three Plus)** on the Rs. 13.50 Cr bank facilities of Excellent Moulders (EM) and assigned the long term rating of **Acuite BBB- (read as Acuite Triple B Minus)** on the Rs. 3.58 Cr bank facilities of Excellent Moulders (EM). The outlook remains 'Stable'.

Rationale for Rating

The assigned ratings factor's in Tenty Group's established customer profile comprising market leaders in the writing instruments sector supported by extensive experience of the promoters. The downgrade of rating takes into account the moderation in profitability, stretched working capital cycle and moderation in financial risk profile. Further, the downgrade reflects the elongated working capital cycle amid stretched receivables. The receivables due for more than 180 days has increased substantially in FY22 as compared to FY21, in the absence of any provision in their financial statement. Thus, any write-offs or delays in realization can impact the liquidity as well as financial risk profile of the company. The rating draws comfort from the average financial risk profile of the group along with established market position in the writing instrument sector supported by extensive experience of the promoters.

About the Company

Established in 1979, Excellent Moulders is the flagship company of the Tenty group, involved in manufacturing plastic fan parts and having a state-of-the-art injection moulding setup in Kolkata, West Bengal.

About the Group

Group companies, Tenty Private Limited and Dolswap Business Pvt. Ltd., are also involved in the manufacturing of pens and their spare parts, cosmetics packaging, and other FMCG product packaging. The group acquired Vishwa Electrotech Limited in 2012, which is into the manufacturing and trading of electrical appliances and sells them under the brand name 'Polar'.

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Tenty Private Limited (TMCPL) and its associates- Dolswap Business Private Limited (DBPL), Excellent Moulders (EM) and Vishva Electrotech Limited (VEL) together referred to as the 'Tenty Group'. The consolidation is in view of common management, similar line of business, strong operational linkages between the entities, cross holding within the group

Key Rating Drivers

Strengths

Extensive experience of the promoters coupled with a diversified product profile

The Tenty Group has been in the plastic packaging segment for more than four decades. The group has its own units in West Bengal and Assam, respectively. Over the years, the extensive experience of the promoters has helped the group build a healthy reputation and long-standing relationships with its reputed clientele, including Linc Pen and Plastics Ltd., Win Pen Pvt. Ltd., Haldiram Bhujwala Ltd., and Orient Electric Ltd. The promoters' experience of over four decades, their strong understanding of local market dynamics, and healthy relations with suppliers and customers should continue to support the business. The group has a diversified product profile that includes a plastic pen and its spare parts, various types of packaging products, and varied-size containers, cups, and bottles made of 100 percent food-grade materials. The products find application in various end-user industries, such as the education sector, food and beverage sectors, FMCG, etc. The group has a diversified customer base, with the top 5 customers contributing more than 50 percent of FY 2022 revenue. Thus, a diversified product profile and reputed customer base de-risk the business to a large extent.

Moderate revenue profile

The revenue of the group stood at Rs. 708.60 crore in FY22 as compared to Rs. 574.25 crore in FY21, registering a YOY growth of 23% on account of the ease of lockdown and the reopening of the education sector. The increase is supported by growth in Tenty Private Ltd. and Dolswap Business Private Limited, both of which are into the manufacturing and selling of plastic-moulded products. The revenue of Tenty Private Limited stood at Rs. 197.28 crore in FY22 as compared to Rs. 141.49 crore in FY21. Dolswap Business Private Limited registered a growth in revenue, which stood at Rs. 154.19 crore in FY22 as compared to Rs. 109.01 crore in FY21. The group has diversified its customer base and further added a reputed customer named Dabur to their customer profile, encompassing eminent companies, which has aided in their revenue growth year after year. The revenue stood at Rs.783.91 crore in FY23 (prov) as compared to Rs. 708.60 crore in FY22, registering a YoY growth of 11% in FY23. Topline growth in FY23 (prov) was lower vs. FY22 on account of lower sales of fans in Q4 FY23. The government has mandated the obligatory BEE rating requirement for all new types of ceiling fans sold in India starting in January 2023. During the pre-summer sales, which are generally fast-moving for all fan manufacturing companies in the January to March quarter (Q4FY23), sales were weak due to an oversupply of existing, accumulated non-BEE-grade inventory. However, business demand for BEE-rated fans is expected to normalise in FY24, which will further reduce competition from local and unorganised players in the market.

The operating margin of the group declined to 5.17 percent as of March 31, 2022, from 5.21 percent as of March 31, 2021. Further, the margins have been in the same range at 5.20 percent as of March 31, 2023 (Prov). The profitability margins of the group have been volatile over the past three years on account of fluctuations in material expenses. Major raw materials include plastic granules, which are crude oil derivatives, and thus the prices for the same are fluctuating in nature. Since raw material costs account for 83 percent of total production costs, even a slight variation in the rates of raw materials drastically impacts profitability. The PAT margin has been in the range of 1.21 percent to 1.45 percent from FY21–23 and is expected to be in the same range.

Acuite believes that going forward, revenue will further increase on account of reduced competition in the market due to mandatory fan star ratings, which is a favourable development in the near to medium term.

Average financial risk profile

The group's average financial risk profile is marked by a healthy net worth base, moderate gearing, and moderate debt protection metrics. The tangible net worth of the group improved to Rs. 126.95 crore as of March 31, 2022, from Rs. 123.82 crore as of March 31, 2021, due to the accretion of reserves and the infusion of equity capital. Further, the tangible net worth of the company increased to Rs. 138.32 crore as of March 31, 2023 (prov). Acuité has considered unsecured loans to the tune of Rs. 24.76 crore as of March 31, 2022, as part of its net worth as these loans are subordinated to bank debt. The gearing of the group stood at 1.20 times as of March 31, 2022, as compared to 0.98 times as of March 31, 2021, and will continue to remain at the same level at 1.13 times as of March 31, 2023 (Prov). The promoters have extended significant financial support to the group, via unsecured loans to cover working capital and debt obligations. The total outside liabilities/tangible net worth (TOL/TNW) stood at 3.08 times as of March 31, 2022, as against 2.65 times as of March 31, 2021, and will continue to remain at the same level. The moderate debt protection metrics of the group are marked by an interest coverage ratio of 1.93 times as of March 31, 2022, and a debt service coverage ratio of 1.231 times as of March 31, 2022. The metrics would continue to remain at moderate levels going forward. Net cash accruals/total debt (NCA/TD) stood at 0.11 times as of March 31, 2022. Acuité believes that going forward, the financial risk profile of the group may improve on account of improved cash accruals.

Weaknesses

Working capital-intensive nature of operations

The working capital intensive nature of operations of the group is marked by high yet improving Gross Current Assets (GCA) of 239 days as of March 31, 2022, as against 252 days as of March 31, 2021. The high GCA days are on account of the stretched receivables of the group, which stood at 190 days as of March 31, 2022, as compared to 197 days as of March 31, 2021. The receivables due for more than 180 days have increased substantially in FY22 as compared to FY21, in the absence of any provision in their financial statement.

Thus, any write-offs or delays in realisation can impact the liquidity as well as the financial risk profile of the group. However, the inventory period stood comfortably at the same level of 42 days as on March 31, 2022, and March 31, 2021. The group is saddled with high debtor days, leading to high working capital intensity during the financial year end, which is expected to improve in the short to medium term. Acuité believes that the working capital operations of the group are likely to remain almost at the same levels over the medium term due to the high levels of inventory holding.

Susceptibility to volatility in the prices of raw materials

The prices of the raw materials are impacted by global demand and linked to global crude oil prices, making them highly volatile. The major raw materials for Tenty's products are plastic granules derived from crude oil, making them highly volatile. The fluctuation in prices is generally passed on to the customers, albeit with a lag. The group's margins are susceptible to the rise in material costs owing to a time lag in the pass-through of price hikes to the customers, although the regular price revision mitigates the risk to an extent. Further, with the customers bearing the freight expenses, there is some postponement of offtake during periods of high freight rates for cost optimisation at the customer's end.

Rating Sensitivities

- Significant growth in revenue and profitability margin
- Elongation of working capital cycle

Material covenants

None

Liquidity Position

Adequate

The group's liquidity is adequate marked by adequate net cash accruals stood at Rs.17.21 Cr as on March 31, 2022 as against long term debt repayment of Rs.7.92 Cr over the same period. The current ratio stood moderate at 1.36 times as on March 31, 2022. Further, the cash accruals are estimated to remain at a range of Rs17.21-17.95 Cr against debt obligation at around Rs7.92-9.20 Cr. The cash and bank balances of the group stood at Rs.0.53 Cr as on March 31, 2022 as compared to Rs.0.67 Cr as on March 31, 2021. The fund based utilization stood at 88 percent for six months ended April, 2023. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals. Support from the promoters through unsecured loans further aids liquidity.

Outlook: Stable

Acuité believes that the group will maintain a 'Stable' outlook over the medium term backed by an experienced management and reputed clientele. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues coupled with sustained improvement in operating margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 708.60 | 574.25 |
| PAT | Rs. Cr. | 10.38 | 6.95 |
| PAT Margin | (%) | 1.47 | 1.21 |
| Total Debt/Tangible Net Worth | Times | 1.20 | 0.98 |
| PBDIT/Interest | Times | 1.93 | 1.80 |

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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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 |
|-------------|--------------------------------|------------|-----------------|--------------------------------|
| 30 Mar 2022 | Cash Credit | Long Term | 6.00 | ACUITE BBB Stable (Assigned) |
| | Letter of Credit | Short Term | 7.50 | ACUITE A3+ (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------|----------------|-----------------------|------------------|----------------|----------------|------------------|-------------------|-----------------------------------|
| Bank of Baroda | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 6.00 | ACUITE BBB- Stable Downgraded |
| Bank of Baroda | Not Applicable | Covid Emergency Line. | Not Applicable | Not Applicable | Not Applicable | Simple | 0.93 | ACUITE BBB- Stable Assigned |
| Bank of Baroda | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 7.50 | ACUITE A3 Downgraded |
| ICICI Bank Ltd | Not Applicable | Secured Overdraft | Not Applicable | Not Applicable | Not Applicable | Simple | 0.40 | ACUITE BBB- Stable Assigned |
| ICICI Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 2.25 | ACUITE BBB- Stable Assigned |

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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.

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