



Press Release
ELEGANZ INTERIORS PRIVATE LIMITED
September 04, 2023
Rating Assigned

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|---------------------------------|----------------------|
| Bank Loan Ratings | 64.00 | ACUITE BBB- Stable Assigned | - |
| Bank Loan Ratings | 36.00 | - | ACUITE A3 Assigned |
| Total Outstanding Quantum (Rs. Cr) | 100.00 | - | - |

Rating Rationale

Acuite has assigned its **long-term rating of 'ACUITE BBB-' (read as ACUITE Triple B minus) and short-term rating of 'ACUITE A3' (read as ACUITE A three)** on the Rs. 100.00 Cr. bank facilities of Eleganz Interior Private Limited (EIPL). The outlook is **'Stable'**.

Rationale for rating assigned.

The rating assigned reflects the strong established track record of the company's operations of more than three decades, along with experience of the current management of more than 20 years. The rating also takes into cognizance top corporate clientele of the company namely Siemens Limited, Adani Green Energy Ltd, We Work to name a few and long-standing business relations with them. The rating also factors in the strong operating performance of the company in recent years with a revenue recorded of Rs 190.26 Cr in FY 2023 (Prov) against Rs 153.83 Cr in FY 2022 and Rs 144.86 Cr in FY 2021. The rating also factors in the healthy financial risk profile of the company marked by below unity leverage ratio and DSCR of 4.97 times as on March 31, 2023 (Prov). These strengths are however partly offset by the intensive working capital operations of the company.

About the Company

Eleganz Interior Private Limited (EIPL) is into the business of Interior designing and general construction activity for corporate clients across pan India. EIPL was incorporated in 1988 by Mr. Akshay Pakvasa. Currently the company is headed by his son Mr. Sameer Pakvasa, who is in the business operations from last two decades. The company caters to the needs of the clients in space such as Civil Interiors, M.E.P. works (Mechanical, Electrical and Plumbing), General Contracting and Design & build works. Current directors of the company are Mr. Sameer Pakvasa and Mr. Mayank Kumar Sharma.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Eleganz Interiors Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operation and experienced management

EIPL has an established track record of operations dating back almost three decades, along with experienced management. Over the years EIPL have developed strong relations with

contractors and suppliers which will help the business to grow. Further, the company was able to maintain a stable long-term relationship with reputed clientele such as Siemens, We Work

India, Adani, Jones Lang Lasalle Property Consultants and Coldwell Banker Richard Ellis, to name a few. The company is currently promoted by Mr. Sameer Akshay Pakvasa.

Acuite expects EIPL will continue to benefit from its established track record of operations and experienced management along with longstanding relationship with reputed clientele.

Augmentation in Business risk profile

The experience of promoters is reflected in the growing scale of operations, with revenue of the company increasing by 24 percent to Rs.190.26 crore in FY2023(Prov.) as against Rs. 153.83 crore in FY2022 and Rs. 144.86 crore in FY2021. The order book of the EIPL stood healthy at around Rs.240 crore as on June 2023 providing revenue visibility over the medium term. The operating margins of the company has increased by 214 basis point to 6.56 percent in FY2023(Prov.) as against 4.42 percent in FY2022. Similarly PAT margins also increased by 129 basis point to 4.56 percent in FY2023(Prov.) as against 3.27 percent in FY2022. The industry in which EIPL operates has been growing strongly after the covid led lockdowns, due to increase in capex plans by the corporate clients in the country.

Acuite expects that going forward, the revenue of EIPL may increase further due to better industry growth prospects over the medium term.

Healthy Financial Risk Profile

The financial risk profile of the company stood healthy, marked by moderate net worth, low gearing (debt-equity) and strong debt protection metrics. The tangible net worth of the company stood at Rs.35.92 crore as on 31st March 2023 (Prov.) as against Rs.27.10 crore as on 31st March 2022, increase in networth is majorly due to accretion of profits to the reserves. The gearing (debt-equity) stood at 0.73 times as on 31 March 2023 (Prov.) as compared to 0.83 times as on 31 March 2022. Acuite expects the gearing will come even lower in medium term on account of increase in net worth and absence of any debt funded capex. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.19 times as on 31 March 2023 (Prov.) as against 2.74 times as on 31 March 2022. The debt protection metrics stood comfortable with Interest Coverage Ratio stood at 5.1 times for FY2023 (Prov.) as against 4.23 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 4.97 times in FY2023 (Prov.) as against 2.77 times in FY2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.38 times for FY2023 (Prov.) as against 0.28 times for FY2022.

Acuite believes that the financial risk profile of the company may continue to remain healthy with steady cash accruals and no major debt-funded capex planned.

Weaknesses

Intensive Working Capital operations

The working capital management of the company is intensive marked by GCA days of 186 days in FY23 (Prov.) as against 208 days in FY22. GCA days also comprises of retention money deposits. The company-maintained inventory levels of around 47 days in FY23 (Prov.) and FY22. Inventory is mostly of raw materials purchased for the construction work. Subsequently, the debtor's collection period stood at 67 days in FY23 (Prov.) as against 69 days for FY22. Generally, the company gives a credit period of 60 to 90 days according to the nature of the contracts to its customers. Furthermore, the creditor days stood at 100 days in FY23 (Prov.) as against 261 days in FY22. Generally, the company has a policy of paying its suppliers in 90 to 120 days. As a result, the reliance on the working capital limits is marked moderate as reflected by an average limit utilization of around ~57 percent in last 06 months ended June' 2023

Acuite believes that the working capital operations of the company may continue to remain at similar levels going forward considering the nature of operations.

Rating Sensitivities

- Increasing scale of operations while maintaining profitability margins.
- Timely execution of the contracts leading to long relation with the clients.
- Improving its working capital operations.

All Covenants

None

Liquidity Position

Adequate

EIPL has an adequate liquidity, marked by healthy net cash accruals to repay its maturing debt obligations. Going Forward, it is expected to generate sufficient cash accruals in the range of Rs.15.00 to 20.00 crore for FY2024-FY2025 as against its maturing repayment obligations in the range of Rs.0.5 crore to 1.5 crore during the same period respectively. The current ratio stood at 1.33 times as on 31st March 2023(Prov.) as against 1.24 times as on 31st March 2022. The working capital management of the company is intensive marked by GCA days of 186 days in FY2023 (Prov.) as against 208 days in FY2022. The reliance on the working capital limits is marked moderate as reflected by an average limit utilization of around ~57 percent in last 06 months ended June' 2023. The company maintains unencumbered cash and bank balances of Rs.2.06 crore as on 31st March 2023 (Prov.).

Acuite expects that going forward the liquidity of EIPL is likely to improve on an account of steady cash accruals as against the negligible term loan repayments.

Outlook: Stable

Acuite believes the outlook on EIPL will continue to remain 'Stable' over the medium term backed by its long track record, Long standing relationship with reputed clientele and increasing scale of operations. The outlook may be revised to 'Positive' if the company is able to significantly improve its the scale of operations taking back to pre covid realizations and the profitability margins while, also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any slowdown in the industry leading to lower capex by corporate clients which will lead to deterioration in revenue and profitability along with deterioration in financial risk profile and liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 23 (Provisional) | FY 22 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 190.26 | 153.83 |
| PAT | Rs. Cr. | 8.68 | 5.03 |
| PAT Margin | (%) | 4.56 | 3.27 |
| Total Debt/Tangible Net Worth | Times | 0.73 | 0.83 |
| PBDIT/Interest | Times | 5.10 | 4.23 |

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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. Acuité'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 :

None

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------------|----------------|----------------------|-------------------------|--------------------|----------------------|-------------------------|--------------------------|---------------------------------|
| HDFC Bank Ltd | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 36.00 | ACUITE A3 Assigned |
| HDFC Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 24.15 | ACUITE BBB- Stable Assigned |
| Not Applicable | Not Applicable | Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 39.85 | 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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