Press Release

ELEGANZ INTERIORS LIMITED (ERSTWHILE ELEGANZ INTERIORS PRIVATE L

December 02, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB- | Positive | Assigned	-
Bank Loan Ratings	34.38	ACUITE BBB- | Positive | Reaffirmed | Stable to Positive	-
Bank Loan Ratings	12.07	-	ACUITE A3 | Assigned
Bank Loan Ratings	65.62	-	ACUITE A3 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	127.07	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of **'ACUITÉ BBB-' (read as ACUITE triple B minus)** and short-term rating of **'ACUITÉ A3' (read as ACUITE A three)** on the Rs. 100.00 Cr. bank facilities of Eleganz Interiors Limited (Erstwhile Eleganz Interiors Private Limited) (EIL). The outlook is revised from '**Stable**' to **'Positive'.**
Also, Acuité has assigned the long-term rating of **'ACUITÉ BBB-' (read as ACUITE triple B minus)** and short-term rating of **'ACUITÉ A3' (read as ACUITE A three)** on the Rs. 27.07 Cr. bank facilities of Eleganz Interiors Limited (Erstwhile Eleganz Interiors Private Limited) (EIL). The outlook is **'Positive'**.

Rationale for rating reaffirmed and outlook revision.
The revision in outlook factors in the improved operating performance of the company. EIL recorded revenue of Rs. 221.29 Cr. in FY 2024 as against Rs. 190.26 Cr. in FY 2023, operating profitability stood at 8.81 percent in FY2024 as against 7.03 percent in FY2023. The company in H1FY25 has already recorded gross revenue of Rs. 231.95 Cr. and is estimated to generate net revenue of Rs.300-325 Cr. by year end. The revision in outlook also factors in healthy financial risk profile of the company marked by below unity leverage ratio and comfortable debt protection metrics. Further in October' 2024, the company has filed Draft Red Hand Prospectus (DHRP) with SEBI to raise funds vide Initial Public Offering (IPO) in the near term. The company already raised Rs. 10.00 Cr. in H1FY2025 in its Pre-IPO funding round. Acuite believes with these additional funding the overall financial risk profile and scale of operations is likely to improve significantly over the near to medium term. These strengths are however partly offset by the intensive working capital operations of the company.
Going forward, the company's ability to improve its scale of operations and profitability while maintaining its capital structure and restricting further elongation in its working capital cycle will remain a key rating monitorable.

About the Company

Eleganz Interiors Limited (EIL) is into the business of providing interior fit-out solutions mainly, interior designing and general construction activity for corporate clients across India. The company – erstwhile Eleganz Interiors Private Limited – was set up as a private limited company in 1996 by Mr. Akshay Pakvasa and in 2023, the constitution of the company was changed to a public limited company – Eleganz Interiors Limited. The company is currently headed by his son Mr. Sameer Pakvasa, who is involved in the business operations for the past two decades. The company has registered office in Mumbai along with branch offices in Bengaluru, Hyderabad, Pune, NCR, Chennai, and Ahmedabad. Also, EIL has a manufacturing facility in Mumbai supported by warehouses at Mumbai, Bengaluru and Pune.
The current directors of the company are Mr. Sameer Pakvasa and Mr. Mayank Kumar Sharma.

Unsupported Rating
Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operation and experienced management
EIL has an established track record of operations dating back almost three decades, along with experienced management. EIL has a team of experienced and qualified engineers, architects, designers and project management professionals who executes the projects. Over the years EIL have developed strong relations with contractors and suppliers such as Bosch, Siemens, We Work India, Adani, Jones Lang Lasalle Property Consultants, Coldwell Banker Richard Ellis, etc who have assisted the business to grow further. The company is currently managed by Mr. Sameer Akshay Pakvasa and Mr. Mayank Kumar Sharma.
Acuite expects EIL will continue to benefit from its established track record of operations and experienced management.

Improving Operating Performance
The geographic expansion and experience of promoters is reflected in the growing scale of operations, with revenue of the company increasing by ~16 percent to Rs. 221.29 crore in FY2024 as against Rs. 190.26 crore in FY2023. As on H1FY2025, the company has clocked a gross revenue of Rs. 231.95 crore as against Rs. 124.19 crore in H1FY2024. The current order book of EIL stood healthy at around Rs. 222.02 crore as on September' 2024 providing strong revenue visibility over the near to medium term. The operating margins of the company has increased by 178 basis point to 8.81 percent in FY2024 as against 7.03 percent in FY2023. Further, PAT margins slightly declined to 5.04 percent in FY2024 as against 5.21 percent in FY2023.
Acuite expects that going forward, the revenue of EIL 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 moderate debt protection metrics. The tangible net worth of the company stood at Rs. 48.92 crore as on 31^{st} March 2024 as against Rs. 37.01 crore as on 31^{st} March 2023, increase in net worth is majorly due to accretion of profits to the reserves. The gearing (debt-equity) stood at 0.87 times as on 31 March 2024 as compared to 0.76 times as on 31 March 2023. Further, the company has filed DRHP with SEBI to launch its IPO on the NSE SME platform. The IPO will consist of purely fresh issue of 60.05 lakh equity shares. The company plans to utilise the net proceeds towards repayment of the outstanding borrowings and remaining towards working capital requirements of the company. Further, the company has allotted 12.34 lakh equity shares by way of private placement for total sum of Rs. 10.00 Cr. in H1FY25. Increase in equity funds and their planned utilisation is expected to also improve debt protection metrics of the company.
The debt protection metrics stood comfortable with Interest Coverage Ratio stood at 5.68 times for FY2024 as against 6.31 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 3.35 times in FY2024 as against 6.04 times in FY2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.31 times for FY2024 as against 0.40 times for FY2023.
Acuite believes that the financial risk profile of the company may continue to remain healthy with steady cash accruals, planned raise of equity funds 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 243 days in FY24 as against 184 days in FY23. High GCA days are majorly due to higher inventory levels and it also comprises of retention money deposits. The company-maintained inventory levels of around 91 days in FY24 and 47 days in FY23. Inventory is mostly of raw materials purchased for the construction work. Subsequently, the debtor's collection period stood at 79 days in FY24 as against 69 days for FY23. 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 122 days in FY24 as against 72 days in FY23. 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 ~65 percent in last 06 months ended October' 2024.
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 and capital structure.
- Significant improvement in the working capital cycle.

Liquidity Position

Adequate

EIL has an adequate liquidity, marked by healthy net cash accruals to repay its negligible maturing debt obligations. Going Forward, it is expected to generate cash accruals in the range of Rs.20.00 to 26.00 crore for FY2025-FY2026 as against its maturing repayment obligations of around Rs. 0.61 crore during the same period. The current ratio stood at 1.36 times as on 31st March 2024 as against 1.44 times as on 31st March 2023. The working capital management of the company is intensive marked by GCA days of 243 days in FY2024 as against 184 days in FY2023. The reliance on the working capital limits is marked moderate as reflected by an average limit utilization of around ~65 percent in last 06 months ended October' 2024. The company maintains unencumbered cash and bank balances of Rs. 7.59 crore as on 31st March 2024.
Acuite expects that going forward the liquidity of EIL is likely to improve on an account of steady cash accruals as against the negligible term loan repayments.

Outlook: Positive

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	221.29	190.26
PAT	Rs. Cr.	11.16	9.92
PAT Margin	(%)	5.04	5.21
Total Debt/Tangible Net Worth	Times	0.87	0.76
PBDIT/Interest	Times	5.68	6.31

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
• 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. 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 Sep 2023	Bank Guarantee (BLR)	Short Term	36.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	24.15	ACUITE BBB- | Stable (Assigned)
	Proposed Cash Credit	Long Term	39.85	ACUITE BBB- | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	65.62	Simple	ACUITE A3 | Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.07	Simple	ACUITE A3 | Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	34.15	Simple	ACUITE BBB- | Positive | Reaffirmed | Stable to Positive
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB- | Positive | Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.23	Simple	ACUITE BBB- | Positive | Reaffirmed | Stable to Positive

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About Acuité Ratings & Research
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