

October 04, 2022

## Intertouch Metal Buildings Private Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. Crore)	Rating Action
Long-term Fund-based – Cash credit	4.70	8.01	[ICRA]BB (Stable); reaffirmed
Long-term Fund-based Term loan	0.50	0.0	-
Long-term/Short-term – Interchangeable	(4.70)	0.0	-
Long-term/Short-term – Non-fund based	19.65	29.99	[ICRA]BB (Stable) / [ICRA]A4+; reaffirmed
<b>Total</b>	<b>24.85</b>	<b>38.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation factors in Intertouch Metal Buildings Private Limited's (IMBPL) expected healthy order inflows in FY2023, providing revenue visibility. While the pending order book position was Rs. 82.7 crore as on May 31, 2022, which is around 1.2 times of the operating income (OI) of FY2022, the healthy order inflows in FY2023 are anticipated to support the order book position. The company booked new orders worth Rs. 40 crore during June to August 2022. The ratings continue to positively note the extensive experience of the promoters in civil engineering and their long association with reputed customers, which enables steady order flows. The ratings also consider the improvement in debt coverage metrics in FY2022, as reflected by an interest coverage and DSCR of 2.4 times (PY:1.9 times) and 1.7 times (PY:1.5 times) in FY2022 on the back of higher operating profits and scheduled debt repayment. These debt coverage metrics are likely to sustain in FY2023.

The ratings are, however, constrained by the company's modest scale of operations, which limits the benefits of economies of scale. Notwithstanding the increase in OI by 58% to Rs. 70 crore in FY2022 and expected increase by 24-28% to Rs. 90.0 crore in FY2023, IMBPL's scale of operations remains modest. The ratings continue to factor in the susceptibility of its profit margins to fluctuations in key raw material prices such as steel and aluminium, among others. The ratings are further constrained by the increase in working capital intensity to 24.5% in FY2022 (PY: 21.8%), mainly owing to its elevated inventory levels. Further, the higher debt levels led to an increase in leverage, TOL/TNW of 2.8 times as on March 31, 2022 (PY: 2.3 times). Going forward, the company's ability to timely enhance its working capital facilities to support its growth plans will remain crucial from the credit perspective.

The Stable outlook reflects ICRA expectation that the company will benefit from the extensive experience of the promoters in the business and its established relationship with its key customers.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of promoters in roofing business; reputed clientele** – IMBPL's Managing Director, Mr. Neeraj Malik, has extensive experience of over two decades in civil engineering. The same has facilitated IMBPL to develop stable business operations and establish good relationship with renowned clients and suppliers, thereby ensuring healthy growth prospects and favourable credit terms. Besides, the promoters provide timely funding support to the company in the form of unsecured loans (Rs. 5.12 crore as on March 31, 2022).

**Improvement in debt coverage metrics in FY2022, expected to sustain in FY2023** – The company's debt coverage metrics improved in FY2022, as reflected by an interest coverage and DSCR of 2.4 times (PY:1.9 times) and 1.7 times (PY:1.5 times), respectively, in FY2022 on the back of higher operating profits and scheduled debt repayment. These debt coverage metrics are likely to sustain in FY2023.

**Order book position expected to be supported by healthy order inflow** – While the pending order book position was Rs. 82.7 crore as on May 31, 2022, which is around 1.2 times of the OI in FY2022, the healthy order inflows in FY2023 are expected to support the order book position. The company had new order booking of Rs. 40 crore during June to August 2022, which are likely to support the order book position. Nonetheless, timely execution of its key orders, without any major delays, remains crucial for a scale up of its operations.

### Credit challenges

**Modest scale of operations** – Notwithstanding the increase in OI by 58% to Rs. 70 crore in FY2022 and expected increase by 24-28% to Rs. 90.0 crore in FY2023, the company's scale of operations remains modest, which limits the benefits from economies of scale and financial flexibility. The ability to enhance its working capital facilities in line with its anticipated revenue scale up remains crucial from the credit perspective. IMBPL operates in an industry that is highly fragmented and competitive, which in turn limits its profit margins.

**Profits vulnerable to raw material prices and demand slowdown in end-user industries** – IMBPL's profit margins are exposed to fluctuation in key raw material prices like steel, aluminium etc. Nevertheless, it passes on the raw material price hikes, to an extent, to its customers, on a mutually agreeable basis. Further, with the presence of price escalation clause in the new contracts in 4M FY2023, the risk is mitigated to an extent. The company has been diversifying its business profile, beyond pre-engineered buildings, into Kalzip roofing systems and also civil works, in order to mitigate the demand risk to some extent.

**Increase in working capital intensity and leverage, TOL/TNW** – The company's working capital intensity, i.e. net working capital/operating income (NWC/OI) increased to 24.5% in FY2022 (PY: 21.8%), mainly owing to its elevated inventory levels. Further, the higher debt levels led to an increase in leverage, with TOL/TNW of 2.8 times as on March 31, 2022 (PY: 2.3 times).

### Liquidity position: Stretched

The company had external terms loans of Rs. 2.0 crore as on March 31, 2022 and the repayments on the same is Rs. 0.48 crore in FY2023. It has CC facility of Rs. 8.01 crore and the utilisation has remained moderate, with an average utilisation of 55% during April 2021 to March 2022. As on March 31, 2022, IMBPL secured FD backed OD of Rs. 2.47 crore. The company's ability to timely enhance its working capital facilities will be crucial to support its growth plans going forward.

### Rating sensitivities

**Positive factors** – ICRA may upgrade IMBPL's ratings if significant increase in scale of operation and profitability result in an improvement in debt protection metrics and liquidity position. Specific credit metrics that may lead to a rating upgrade include interest coverage of above 2.5 times.

**Negative factors** – Negative pressure on IMBPL's ratings may arise in case of significant decline in scale of operations and profitability or increase in working capital intensity weakening liquidity position.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the entity

## About the company

Intertouch Metal Buildings Private Limited, established in 1997 and incorporated in 2000, provides commercial construction services and industrial building systems that include pre-engineered buildings (PEBs), metal roofing, wall claddings, façade systems, latchways fall arrest systems and Kalzip aluminium roofing system, among others. The company has also diversified into undertaking civil work on a turnkey basis in the recent past.

### Key financial indicators (audited)

IMBPL	FY2021	FY2022*
Operating income	44.3	70.0
PAT	1.0	2.2
OPBDIT/OI	7.2%	7.6%
PAT/OI	2.2%	3.1%
Total outside liabilities/Tangible net worth (times)	2.3	2.8
Total debt/OPBDIT (times)	3.1	2.9
Interest coverage (times)	1.9	2.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; \* - Provisional

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Oct 4, 2022	Aug 20, 2021	June 12, 2020	Mar 30, 2020
1 Fund-based Cash credit	Long-term	8.01	-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)
2 Fund-based Term loan	Long-term	-	-	-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-
3 Interchangeable	Long-term/Short term	-	-	-	[ICRA]BB (Stable)/ [ICRA]A4+	[ICRA]BB (Stable)/ [ICRA]A4+	[ICRA]BB (Stable)/ [ICRA]A4+
4 Non-fund based Bank guarantee	Long-term/ Short term	29.99	-	[ICRA]BB (Stable)/ [ICRA]A4+	[ICRA]BB (Stable)/ [ICRA]A4+	[ICRA]BB (Stable)/ [ICRA]A4+	[ICRA]BB (Stable)/ [ICRA]A4+
5 Unallocated	Long-term/ Short term	-	-	-	-	[ICRA]BB (Stable)/ [ICRA]A4+	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash credit	Simple
Long-term/Short term – Non-fund Based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based Cash credit	-	-	-	8.01	[ICRA]BB (Stable)
NA	Long-term/Short-term – Non-fund based	-	-	-	29.99	[ICRA]BB (Stable)/[ICRA]A4+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis: Not Applicable

## ANALYST CONTACTS

**Rajeshwar Burla**  
+91 40 4067 6527  
[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

**Mathew Kurian Eranat**  
+91 80 4332 6415  
[mathew.eranat@icraindia.com](mailto:mathew.eranat@icraindia.com)

**Anupama Reddy**  
+91 40 4067 6516  
[anupama.reddy@icraindia.com](mailto:anupama.reddy@icraindia.com)

**Vishal R**  
+91 80 4332 6419  
[vishal.r@icraindia.com](mailto:vishal.r@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



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