



Press Release

Fusion Industries Limited

April 12, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term-Fund Based Bank Facilities	20.00 (reduced from 21.50)	IVR BB+/ Stable (IVR Double B Plus; Outlook: Stable)	Reaffirmed	Simple
Short Term Non- Fund Based Bank Facilities	5.00 (reduced from 8.50)	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	25.00 (Rupees Twenty Five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in rating of the bank facilities of Fusion Industries Limited (FIL) continues to factor in the extensive experience of its management, established distribution network and brand, and moderate capital structure and debt protection metrics. The ratings are, however, constrained by the moderate in operating performance, intense competition in the industry, susceptibility of the profitability to volatility in the price of raw material, highly working capital intensive operations and stretched liquidity.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the revenue and profitability and sustenance of the same.
- Substantial improvement in capital and coverage metrics
- Optimizing the working capital cycle thereby reducing dependence on the external borrowings.

Downward Factors

- Significant dip in operating income and/or profitability impacting the debt coverage indicators



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- Any major debt funded capex incurred by the company resulting in deterioration in the debt protection metrics and/or liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

FIL is promoted by Mr. Trilok Chand Chandna. He has around three decades of experience in diverse business activities related to plastics. The legacy is being taken forward by his two sons, Mr. Yunik Chandna and Mr. Karan Chandna.

Established distribution network and brand

FIL sells through dealers and distributors located pan India. Fil has around 25 retail outlets in the name of Fusion House, Fusion World and Fusion India. FIL sells its product under the brand name 'Fusion'.

Moderate capital structure and debt protection metrics

The capital structure continues to remain moderate. The overall gearing and TOL/ TNW ratios were moderate at 1.53x and 2.28x respectively as on March 31, 2021 as against 1.48x and 2.47x respectively as on March 31, 2020. Further, the debt protection parameters marked by the interest coverage ratio remained moderate at 1.99x in FY21. The total debt to GCA continued to remain high at 11.74x in FY21 as against 13.32x in FY20 on account of the low cash accruals.

Key Rating Weaknesses

Moderate operating performance

Total operating income has remained almost stable in FY21 at Rs.77.67 crore as compared to Rs.78.94 crore in FY20, mainly on account of Covid-19 related lock down declared by Government of India from March 18, 2020 to May 5, 2020, due to which the company's sales were affected during Q1FY21. However, EBITDA margin has improved from 7.34% in FY20 to 8.05% in FY21. PAT margin has also improved from 0.12% in FY20 to 1.02% in FY21 in line with EBITDA margin. Further, as informed by the management, the company has achieved revenue of around Rs.85.00 crore in FY22.



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Intense competition in the industry and low entry barriers

FIL operates in a highly competitive industry marked by low entry barriers. The players in the industry do not have any pricing power and are exposed to competition induced pressures on profitability. Also, due to low entry barriers in the industry and low value-added nature of the products, high competition is the inherent risk associated with the industry.

Susceptibility of the profitability to volatility in the price of raw material

The company's main raw material includes naptha and granules, whose prices are linked to crude prices, which remains quite volatile. Any adverse fluctuations in it could have an adverse impact on the company's profitability. However, this risk is mitigated to an extent as the company has long term relations with its suppliers.

Highly working capital intensive operations

The operations of the company are working capital intensive as reflected in operating cycle of around four-five months in the last three fiscals ending FY21. The operating cycle has remained elongated on account of stretch in receivables and high inventory. The company manufactures various types of pipes and fittings and has to hold a stock for all the items resulting in high inventory holding. The average cash credit utilization of the company remained high at around 96% in the 12 months ended December 2021.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Stretched

The liquidity position of the company is stretched marked by the moderation in gross cash accruals against debt obligations. Average working capital utilization for the 12 months ended



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December 2021 stood at around 96.45%. The current ratio of the company stood at 1.42x as on March 31, 2021. The company does not have any capex plans in FY23..

About the Company

FIL was originally incorporated as Yee Kay Technocrat Pvt Ltd in 2002 by Chandna family under the guidance of Mr. Trilok Chand Chandna. The company commenced trading in pipes and fittings in 2004. Subsequently, in the year 2005, the promoters set up a manufacturing facility of pipes in Faridabad. In the year 2006, the manufacturing facility of the company was moved to Roorkee, Uttarakhand. Further, the company was reconstituted as a closely held public limited company with the current name in 2013. In FY21, FIL increased the installed capacity to 11,540 MTPA from 10,970 MTPA in FY20. The installed capacity was further increased to 18,415 in FY22.

Presently, FIL is engaged in manufacturing of PPR Pipes and Fittings, PVC Pipes and Fittings, CPVC Pipes and Fittings, UPVC Pipes and Fittings, SWR Pipes and Submersible Pipes. The company mainly operates in the domestic market. The company sells its product under the brand name "Fusion". Its manufacturing units located at Roorkee have a total installed capacity of 18,415 as on December 31, 2021.

Financials (Standalone):

	(Rs. crore)	
For the year ended/As on*	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	78.94	77.67
EBITDA	5.79	6.25
PAT	0.10	0.79
Total Debt	28.71	30.75
Tangible Net Worth	19.44	20.12
Ratios		
EBITDA Margin (%)	7.34	8.05
PAT Margin (%)	0.12	1.02
Overall Gearing Ratio (x)	1.48	1.53

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	20.00	IVR BB+/Stable	-	IVR BB+/Stable (January 14, 2021)	IVR BB+/Stable (October 31, 2019)
2.	Letter of Credit	Short Term	5.00*	IVR A4+	-	IVR A4+ (January 14, 2021)	IVR A4+ (October 31, 2019)

**Includes sub-limit of Bank Guarantee of Rs.1.00 crore and Credit Exposure Limit of Rs.0.34 crore*

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	20.00	IVR BB+/ Stable
Letter of Credit	-	-	-	5.00*	IVR A4+

* Includes sub-limit of Bank Guarantee of Rs.1.00 crore and Credit Exposure Limit of Rs.0.34 crore.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Fusion-Industries-Apr22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.