

Industrial Plants and Waste Treatment Corporation: Reaffirmed

Facilities	Amount (Rs. Crore)	Rating/Outlook
Bank Guarantee	8.50	SMERA BB+/Stable (Reaffirmed)
Letter of Credit	2.00	SMERA BB+/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.10.50 crore bank facilities of Industrial Plants and Waste Treatment Corporation (IPWT). The outlook is '**Stable**'.

The rating continues to draw comfort from the firm's established operational track record, experienced management and comfortable debt protection metrics. However, the rating is constrained by the modest scale of operations and low net worth. The rating also notes the partnership constitution of IPWT.

Update

IPWT reported marginal decline in operating income to Rs.26.21 crore in FY2015-16 (provisional) as compared to Rs.27.69 crore in FY2014-15 on account of lower than expected demand for traded goods. Further, the firm reported improvement in operating margin to 5.94 percent in FY2015-16 (provisional) as against 5.30 per cent in FY2014-15 on account of increase in income from high margin concrete water proofing services.

The gearing stood at 0.47 times as on March 31, 2016 (provisional) as against 0.29 times as on March 31, 2015. Further, the interest coverage ratio stood at 6.70 times for FY2015-16 (provisional) compared to 8.14 times in the previous year. The firm reported decline in net worth to Rs.4.60 crore as on March 31, 2016 (provisional) as against Rs.5.86 in the previous year mainly on account of withdrawal of capital by partners. Further, the firm has extended advances of Rs.3.62 crore (~79 percent of net worth) as on March 31, 2016 (provisional) to group/related entities.

Rating Sensitivity Factors

- Scaling up of operations while improving profitability
- Effective working capital management
- Improvement in the capital structure and coverage indicators

Criteria applied to arrive at the rating:

- Manufacturing Entities

Outlook-Stable

SMERA believes IPWT will maintain a stable outlook on account of its established operational track record and experienced management. The outlook may be revised to 'Positive' if IPWT is able to achieve significant growth in revenue alongwith improvement in profitability and capital structure due to considerable capital infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case the firm reports lower than expected revenue alongwith significant decline in profitability or deterioration in its financial risk profile.

About the Firm

The Mumbai-based IPWT, setup in 1971 is engaged in the designing and manufacturing of special purpose vehicles used for sewer cleaning, solid waste handling, fuel collection and transportation. The firm also provides concrete waterproofing services. It is headed by Mr. Rajesh Khatwani and Mr. Tarun Khatwani, who possess around 25 years of experience in the said line of business. The manufacturing unit is located at Vasai, near Mumbai.

For FY2015-16 (provisional), IPWT reported profit after tax (PAT) of Rs.1.33 crore on operating income of Rs. 26.21 crore as compared with PAT of Rs.1.52 crore on operating income of Rs.27.69 crore for FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
23 July, 2015	Bank Guarantee	8.50	SMERA BB+ (Assigned)	-	Stable
	Letter of Credit	2.00	SMERA BB+ (Assigned)	-	Stable

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ABOUT SMERA

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