

Press Release

Industrial Plants and Waste Treatment Corporation (IPWT)

19 February, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.10.50 Cr
Long Term Rating	SMERA BB+/Stable (Reaffirmed)

*Refer Annexure for details

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

Industrial Plants & Waste Treatment Corporation (IPWT), based in Mumbai, was incorporated in 1971. The firm is engaged in the designing and manufacturing of special purpose vehicles used for sewer cleaning, solid waste handling, fuel collection and transportation. IPWT has its manufacturing unit located at Vasai (Maharashtra). The firm is headed by Mr. Rajesh Khatwani and Mr. Tarun Khatwani, who possess around 25 years of experience in the said line of business.

Key Rating Drivers & Detailed Description

Strengths

Established track record of operations with stable business risk profile

IPWT was established as a proprietorship concern in 1971 by Mr. Shankar Khatwani. The firm is engaged in the designing and manufacturing of special purpose vehicles used for sewer cleaning, solid waste handling, fuel collection and transportation. IPWT has stable business risk profile with geographically diversified customer base spread across 14 cities in India. Further, around 60 percent of the revenue is derived from private companies and 40 per cent from Government bodies. Further, IPWT has good relations with its customers leading to debtor days of 33 for FY2016-17.

Experienced and qualified management

Mr. Tarun Shankar Khatwani, Partner is a Mechanical Engineer with experience of around 17 years in the manufacturing of urban environmental infrastructure equipments and also provides other related services. He is supported by his brother, Mr. Rajesh Shankar Khatwani and Mr. Jignesh Parekh, General Manager also an engineer with extensive experience in handling the day-to-day operations.

Healthy financial risk profile

IPWT has healthy financial risk profile supported by strong gearing position of 0.09 times as on 31st March, 2017. The same is expected to remain healthy going forward. The total long term borrowings of Rs. 0.68 crore includes interest-free unsecured loan from related parties of Rs. 0.56 crore as on 31st March, 2017. The company has comfortable debt protection metrics with interest coverage ratio at 9.14 times and DSCR at 9.16 times for FY2016-17. It reported EBITDA margins of 3.75 per cent and PAT margins of 3.57 per cent for FY2016-17. It has healthy return indicator marked by ROCE margins at 16.78 per cent for FY2016-17.

Weaknesses

Moderate Scale of operations

The scale of operations is modest despite operations having commenced around four decades back. IPWT reported operating income of Rs. 33.41 crore for FY2016-17 as against Rs.26.81 crore for FY2015-16 and Rs.27.69 crore for FY2014-15 thereby registering growth of 24.64 percent in FY 2016-17.

Tender based operations

Around 40 per cent of the revenue for FY2016-17 is derived from government tenders for environmental equipments. IPWT faces intense competition in the industry.

Low net worth and funds diverted to group related companies

IPWT has low net worth of Rs. 7.43 crore as on 31 March, 2017 as against Rs. 7.15 crore as on 31 March, 2016. Further, IPWT has extended advances to group/related companies to the tune of Rs.2.47 crore as on 31 March, 2017 of around ~35 per cent of its net worth.

Partnership firm constitution

IPWT being a partnership firm is exposed to the risk of capital infusion and withdrawals.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Industrial Plants & Waste Treatment Corporation to arrive at the rating.

Outlook – Stable

SMERA believes that IPWT will maintain a stable outlook over the medium term owing to its established operational track record and experienced management. The outlook may be revised to 'Positive' in case IPWT is able to achieve significant growth in revenue alongwith improvement in profitability and significant improvement in its capital structure resulting from considerable capital infusion by promoters. The outlook may be revised to 'Negative' in case IPWT reports lower than expected revenue alongwith significant decline in profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	33.41	26.81	27.69
EBITDA	Rs. Cr.	1.25	1.30	1.47
PAT	Rs. Cr.	1.19	1.32	1.52
EBITDA Margin	(%)	3.75	4.86	5.30
PAT Margin	(%)	3.57	4.93	5.50
ROCE	(%)	16.78	20.25	24.65
Total Debt/Tangible Net Worth	Times	0.09	0.14	0.29

PBDIT/Interest	Times	9.14	6.65	8.14
Total Debt/PBDIT	Times	0.44	0.56	0.86
Gross Current Assets (Days)	Days	108	126	116

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Facilities	Amount (Rs. Crore)	Long Term	Rating Outlook
21 Oct, 2016	Bank Guarantee	8.50	SMERA BB+ (Reaffirmed)	Stable
	Letter of Credit	2.00	SMERA BB+ (Reaffirmed)	Stable
23 July, 2015	Bank Guarantee	8.50	SMERA BB+ (Assigned)	Stable
	Letter of Credit	2.00	SMERA BB+ (Assigned)	Stable

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA BB+/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB+/ Stable

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ABOUT SMERA

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