

Press Release

Industrial Plants and Waste Treatment Corporation

January 22, 2019

Rating Upgraded and Assigned



Total Bank Facilities Rated*	Rs. 20.50 crore (Enhanced from Rs.10.50 crore)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB+/Stable)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs. 10.50 crore bank facilities of Industrial Plants and Waste Treatment Corporation (IPWT). The outlook is '**Stable**'.

Further, Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs.10.00 crore bank facilities of IPWT. The outlook is '**Stable**'.

The rating revision is on account of consistent improvement in the company's financial risk profile, improvement in profit margins. Further, it is expected that the debt protection metrics of the firm to remain healthy with low gearing and moderate net worth.

IPWT, based in Mumbai, was incorporated in 1971 as a partnership firm. 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the IPWC to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations with stable business risk profile:

IPWT was established as partnership concern in 1971. IPWT has stable business risk profile with geographically diversified customer base spread across in 14 cities of India. Also, the firm has strong position in niche market having established and long-term relationship with the clients. Further, around 60 percent of the revenue is derived from the Government bodies and rest 40 percent from private companies.

Experienced and qualified management:

Mr. Tarun Shankar Khatwani (Partner) has experience of around seventeen years in manufacturing of urban environmental infrastructure equipments and providing other related services. He is supported by his brothers, Mr. Rajesh Shankar Khatwani and Mr. Jignesh Parekh (General Managers) with extensive experience in handling the day to day operations of IPWT.

Healthy financial risk profile:

IPWT has healthy financial risk profile supported by strong gearing position of 0.02 times as on 31 March, 2018 as against 0.09 times as on 31 March, 2017. The same is expected to remain healthy going forward as the firm does not have any working capital limits or term loans other than outstanding vehicle loan of Rs. 0.12 crore as on 31 March, 2018. Total long term borrowings of Rs.0.18 crore includes interest-free unsecured loan from related parties of Rs. 0.06 crore as on 31 March, 2018. It has healthy debt

protection metrics with interest coverage ratio at 5.28 times and DSCR at 5.39 times for FY2018. It reported EBITDA margins of 5.57 percent and PAT margins at 5.38 percent for FY2018. It has healthy return indicator marked by ROCE margins at 26.97 percent for FY2018.

Weaknesses

Moderate scale of operations:

The scale of operations is modest despite operations having commenced over four decades ago. IPWT reported operating income of Rs.34.03 crore for FY2018 as against Rs.33.41 crore for FY2017 and Rs.26.81 crore for FY2016. The firm has orders in hand of around Rs.46.88 crore as on December, 2018. The firm continues to book about 10 percent of its revenue from the maintenance segment.

Tender based nature of operations:

Around 60 percent of the revenue for FY2018 is derived from government tenders for environmental equipment. IPWT faces intense competition in bidding for government tenders and procurement of contracts during the downturn presents a major challenge for the company.

Partnership constitution:

IPWT being a partnership firm is exposed to the risk associated in terms of capital infusion and withdrawal.

Outlook: Stable

Acuite believes that IPWT will maintain a 'Stable' business risk profile on account of 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 along with 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 along with significant decline in profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.03	33.41	26.81
EBITDA	Rs. Cr.	1.90	1.25	1.30
PAT	Rs. Cr.	1.83	1.19	1.32
EBITDA Margin	(%)	5.57	3.75	4.86
PAT Margin	(%)	5.38	3.57	4.93
ROCE	(%)	26.97	16.78	20.25
Total Debt/Tangible Net Worth	Times	0.02	0.09	0.14
PBDIT/Interest	Times	5.28	9.14	6.65
Total Debt/PBDIT	Times	0.07	0.44	0.56
Gross Current Assets (Days)	Days	135	108	126

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Feb-2018	Bank Guarantee	Long Term	8.50	ACUITE BB+/ Stable (Reaffirmed)
	Letter of Credit	Long Term	2.00	ACUITE BB+/ Stable (Reaffirmed)
21-Oct-2016	Bank Guarantee	Long Term	8.50	ACUITE BB+/ Stable (Reaffirmed)
	Letter of Credit	Long Term	2.00	ACUITE BB+/ Stable (Reaffirmed)
23-Jul-2015	Bank Guarantee	Long Term	8.50	ACUITE BB+/ Stable (Assigned)
	Letter of Credit	Long Term	2.00	ACUITE BB+/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable)
Proposed	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- / Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Disha Parmar Analyst - Rating Operations Tel: 022-49294064 disha.parmar@acuiterratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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