

Press Release

Industrial Plants and Waste Treatment Corporation

04 August, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 20.50 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.20.50 crore of bank facilities of Industrial Plants and Waste Treatment Corporation (IPWT). The outlook is '**Stable**'.

Mumbai based, IPWT was incorporated in 1971 as a partnership firm and currently managed by the partners Mrs. Anita Khatwani and Mr. Tarun Khatwani. The firm is engaged in the design and manufacturing of special purpose vehicles (SPV) used for sewer cleaning, solid waste handling, fuel collection, transportation, aircraft re-fuelling, and aviation ground support equipment. The firm is also engaged in providing concrete waterproofing services. The firm has its manufacturing facility located at Vasai, Maharashtra.

Analytical Approach:

Acuite has considered the standalone business and financial risk profile of IPWT while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

IPWT was established as a partnership concern in 1971 and currently managed by the partner Mrs. Anita Khatwani Partner, who has more than two decades of experience in the aforementioned industry. The other partner Mr. Tarun Khatwani also has more than 20 years of experience in construction chemicals, including waterproofing systems. This long track record of operation and extensive experience of the promoters have helped the firm to establish a wide geographical presence in 14 cities in India along with a presence in UAE and Singapore. This long-standing experience of the promoters and long track record of the firm has also helped to create healthy relations with reputed clientele like Municipal Corporation of Brihan Mumbai, Surat Municipal Corporation, Hindustan Petroleum Corporation Ltd., and Indian Oil Corporation Ltd. among others.

Comfortable financial risk profile

The financial risk profile of the firm is marked by moderate net worth, very low gearing and strong debt protection metrics. The networth of the firm stood moderate at Rs.9.70 crore in FY2019 as compared to Rs. 8.76 crore in FY2018. This improvement in networth is mainly due to the retention of current year profit. The net worth of the firm also increased and stood moderate at Rs.11.76 crore in FY2020 (Prov.). The gearing of the firm stood low at 0.03 times as on March 31, 2019 when compared to 0.02 times as on March 31, 2018. The firm does not have any external fund base borrowings from the bank apart unsecured loan from promoters of Rs.0.08 crore as on 31st March 2020. Interest coverage ratio (ICR) stood at 7.43 times in FY2019 as against 5.28 times in FY2018. The interest coverage ratio of the firm has further improved to 8.00 times in FY2020 (Prov.). The net cash accruals to total debt (NCA/TD) stood at 8.74 times in FY2019 as compared to 11.55 times in the previous year. Going forward, Acuite believes the financial risk profile of the firm will be comfortable backed by healthy accruals and no major debt-funded capex plan over the medium term.

Moderate scale of operation

The revenue of the firm stood moderate at Rs.35.03 crore in FY2019 as compared to Rs.34.03 crore in the previous year. The revenue of the company has further improved to Rs.36.80 crore in FY2020 (Prov.). Going forward, Acuite believes the revenue of the firm will be at a moderate level. Moreover, the firm has a healthy unexecuted order book of Rs.60.45 crore as on July 2020, which also provides revenue visibility in the near term.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operation of the firm is marked by high gross current asset (GCA) days of 151 in FY2019 as compared to 135 days in FY2018. The inventory days are comfortable at 9 days in FY2019 as compared to 19 days in FY2018. The debtor days stood moderate at 34 days in FY2019 and 47 days in FY2018 respectively. The high GCA days in FY2019 mainly emanates from the high other current assets of Rs.6.80 crore in FY2019 is comprises of loans and advances of Rs.3.85 crore , GST receivables of Rs.1.47 crore, other deposits of Rs.0.14 crore and retention money from a customer of Rs.1.27 crore.

Declining profitability

The operating profit margin of the firm has declined and stood moderate at 4.60 per cent in FY2019 as compared to 5.57 per cent in the previous year. The deterioration in profitability margin is mainly on account of increase in raw material price, which could not be passed onto their customers and an increase in the employee cost during the period. The operating profitability of the firm has stood at the same level of 4.59 per cent in FY2020 (Prov.).

Rating Sensitivity

- Scaling up of operations while improving their profitability margin
- Working capital management

Material Covenant

None

Liquidity Position: Healthy

The firm has healthy liquidity marked by comfortable net cash accruals of Rs.2.04 crore as against nil yearly debt obligations in FY2019. The net cash accruals of the firm have further increased and stood healthy Rs.2.31 crore in FY2020 (Prov.). The cash accruals of the firm are estimated to remain in the range of around Rs. 2.04 crore to Rs. 2.26 crore during 2021-22 against nil debt obligations. The working capital intensity of the firm is marked by Gross Current Asset (GCA) days of 151 days in FY2019 and 131 days in FY2020 (Prov.) respectively. Further, the liquidity of the firm is also strengthened by the unencumbered cash balance of Rs.3.54 crore during FY2019 and a free fixed deposit of Rs.7.60 crore during the same period. The current ratio of the firm stood comfortable at 1.28 times in FY2019. Acuite believes that the liquidity of the company is likely to remain stretched on account of low cash accruals against long debt repayments over the medium term.

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 financial risk profile. The outlook may be revised to 'Negative' in case IPWT reports lower than expected revenue along with a significant decline in profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	36.80	35.03
PAT	Rs. Cr.	2.07	1.84
PAT Margin	(%)	5.63	5.26
Total Debt/Tangible Net Worth	Times	0.01	0.03
PBDIT/Interest	Times	8.00	7.43

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

None

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
22-Jan-2019	Bank Guarantee	Long Term	8.50	ACUITE BBB-/Stable (Upgraded)
	Letter of Credit	Long Term	2.00	ACUITE BBB-/Stable (Upgraded)
	Proposed Facility	Long Term	10.00	ACUITE BBB-/Stable (Assigned)
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)

***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	ACUITE BBB-/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	March 2022	2.00	ACUITE BBB-/Stable (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Reaffirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head– Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.