

Press Release

Industrial Plants and Waste Treatment Corporation

September 07, 2021



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Rationale for Rating Reaffirmation

The rating reaffirmation considers the comfort drawn on the long track record of operations and stable business risk profile with an order book position of Rs. 54.51 crore. Coupled to that, the company has a strong financial risk profile, adequate liquidity with moderate bank limit utilisation. The rating, however, remains constrained on account of limited scale of operations mainly due to nature of business.

About the company

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

For arriving at this rating, Acuité has taken the standalone business and financial risk profile of the company.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

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. The partners of the firm, Mr. Tarun Shankar Khatwani has experience of around twenty five 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.

- **Moderate financial risk profile**

IPWT's financial risk profile is moderate marked by moderate networth, low gearing (debt to equity ratio), total outside liabilities to total net worth (TOL/TNW), and healthy debt protection metrics. The Net worth of the company is moderate at Rs. 10.97 crore as on March 31, 2021 (Provisional) as against Rs.10.33 crore as on 31 March, 2020. Gearing stood low at 0.07 times as on March 31, 2021 (Provisional) as against 0.06 times as on 31 March, 2020. The total debt of Rs. 0.81 crore as on March 31, 2021 (Provisional) includes Rs.0.75 crore of term loans and Rs. 0.06 crore of unsecured loans. Interest coverage ratio (ICR) stood at 6.01 times in FY2021 (Provisional) as against 6.23 times in FY2020. The net cash accruals to total debt (NCA/TD) stood at 2.05 times in FY2021 (Provisional) as compared to 3.40 times in the previous year.

Going forward, Acuite believes the financial risk profile of the firm will moderate back by no major debt funded capex plan over the medium term.

Weaknesses

- **Moderate working capital cycle**

The working capital cycle of the firm is moderate marked by the Gross Current Asset (GCA) days of 112 days as on 31st March 2021 (Provisional) as against 183 days on 31st March 2020. The GCA mainly consists of other current assets like loans & advances, GST receivable and retention money. The improvement in GCA days in FY2021 is due to improvement in debtor days which stood at 21 days as on March 31, 2021 (Provisional) as against 87 days in FY2020. Also, the inventory days has decreased to 18 days as on March 31, 2021 (Provisional) as against 25 days in FY2020. The working capital limits are utilized moderate at ~54 percent for six months ended July, 2021.

- **Modest scale of operation**

The revenue of the firm stood moderate at Rs.28.33 crore in FY2021 (Provisional) as compared to Rs.34.70 crore in the previous year despite being in business for more than four decades. Going ahead also, Acuité believes the revenue of the firm will be at a moderate levels over the medium term. The firm has unexecuted order book of Rs. 54.51 crore as on 31st March 2021, mostly for waterproofing work from the different infrastructure companies like, Indiabulls Infraestate Ltd, Afcons Infrastructure Ltd, Reliance Infrastructure Ltd, Real Gem Buildcon Pvt Ltd among others. This gives the revenue visibility of the firm for near term.

- **Tender based nature of operations**

Around 60 percent of the revenue 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 firm. This might impact the profitability margins of the firm.

Rating sensitivities

- Significant improvement in the scale of operations along with the profitability margins
- Stretched working capital cycle and deterioration in liquidity position

Material Covenant

None

Liquidity Position: Adequate

Liquidity of IPWT is adequate marked by adequate cash accruals of Rs.1.66 crore as of 31 March 2021 (Provisional) as against Rs.1.96 crore as of 31 March 2020. The working capital cycle of the company stood moderately intensive in nature marked by Gross Current Asset (GCA) days stood at 112 days as on 31 March 2021 (Provisional) as against 183 days as on 31 March 2020. It has unencumbered cash balances of 1.44 crore as on 31 March 2021. Acuité believes that the liquidity of the company is likely to remain adequate over the near to medium term on account of moderate order book position, cash accruals and no major repayments over the medium term.

Outlook: Stable

Acuité 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 Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	28.33	34.70
PAT	Rs. Cr.	1.37	1.67
PAT Margin (%)	(%)	4.83	4.83
Total Debt/Tangible Net Worth	Times	0.07	0.06
PBDIT/Interest	Times	6.01	6.23

Status of non-cooperation with previous CRA

Not Applicable

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>
- 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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
04-Aug-20	Letter of Credit	Long term	2.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Long term	8.50	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Bank Facility	Long term	10.00	ACUITE BBB-/Stable (Reaffirmed)
22-Jan-19	Letter of Credit	Long term	2.00	ACUITE BBB-/Stable (Upgraded)
	Bank Guarantee	Long term	8.50	ACUITE BBB-/Stable (Upgraded)
	Proposed Bank Facility	Long Term	10.00	ACUITE BBB-/Stable (Upgraded)
19-Feb-18	Letter of Credit	Long Term	2.00	ACUITE BB+/Stable (Reaffirmed)
	Bank Guarantee	Long Term	8.50	ACUITE BB+/Stable (Reaffirmed)

#Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Bank of India	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/Stable (Reaffirmed)
Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BBB-/Stable (Reaffirmed)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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