

## Press Release

### Industrial Plants and Waste Treatment Corporation

November 28, 2022

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.50	ACUITE BBB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	20.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## 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 and Waste Treatment Corporation (IPWT). The outlook is '**Stable**'.

### Rationale for Rating

The rating reaffirmation takes into account the stable operating and financial performance of the firm. The operating income of IPWT improved to Rs. 39.76 Cr in FY22 as against Rs.28.96 Cr, while the profitability margins ranged between 3.8-4.36 percent in the last two years ended March, 2022. The rating also draws comfort from experienced management and the long track record of operations, coupled with moderate financial risk profile and adequate liquidity position. The rating, however, remains constrained on account of modest scale of operations and working capital intensive nature of operations of IPWT.

### 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

Acuité has considered the standalone business and financial risk profile of the firm to arrive at the rating.

### Key Rating Drivers

### Strengths

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

IPWT was established as a 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 established position in niche market and long-term relationship with the clients. The partner of the firm, Mr. Tarun Shankar Khatwani has experience of around twenty five years in manufacturing of urban environmental infrastructure equipment 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.

Acuité believes that the firm will sustain its existing business profile over the medium term on the back of an established track record of operations with an experienced management.

## **Moderate Financial Risk Profile**

IPWT has moderate financial risk profile marked by moderate tangible net worth, low gearing, and comfortable coverage ratios. The net worth of the firm is moderate and stood at Rs.11.54 crore as on 31 March 2022 as against Rs.10.89 crore as on 31 March 2021. The gearing level of the firm stood low at 0.06 times as on 31 March 2022 as against 0.07 times as on 31 March 2021. The total debt outstanding of Rs.0.69 crore includes term loan obligation (Vehicle loans) of Rs.0.61 crore and Rs.0.08 crore unsecured loans from promoters and directors.

The coverage ratios of the firm remained comfortable with Interest Coverage Ratio (ICR) of 10.79 times for FY2022 as against 5.13 times for FY2021. Also, the Debt Service Coverage Ratio (DSCR) stood at 6.36 times for FY2022 against 5.13 times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the firm stood at 1.44 times as on March 31, 2022 against 1.90 times as on March 31, 2021. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 2.63 times for FY2022 as against 1.91 times for FY2021.

Acuite believes that the financial risk profile of the firm will continue to remain moderate in account of absence of any major debt funded capex plan over the medium term.

## **Weaknesses**

### **Working Capital Intensive Nature of Operations**

The operations of the firm are of working capital-intensive nature marked by high GCA days of 172 days in FY2022 as against 253 days in FY2021. The GCA mainly consists of other current assets which includes loans & advances, GST receivable and retention money. Further, the debtor days are moderate and stood at 79 days in FY2022 as against 85 days in FY2021 and inventory levels are low and stood at 30 days for FY2022 compared against 37 days for FY2021. The creditor days stood at 166 days for FY2022 as against 207 days in FY2021. The average utilization of the working capital limits of the firm remained on the lower side of ~32.19% in last nine months ended September' 2022.

### **Modest Scale of operation**

The revenue of the firm stood at Rs.39.76 crore in FY2022 registering a growth of ~37 percent YoY compared to revenue of Rs.28.96 crore in FY2021. However, the firm has been in business for over four decades and going ahead also, its the scale of operations are expected to remain modest. In 5MFY23, the firm has generated a revenue of Rs.11.43 crore and is expected to close year above Rs.35 Cr. As on November 04, 2022, the firm has total order book of Rs. 81.08 crore, out of which orders amounting to Rs. 45.81 crore is pending to be executed, providing near term revenue visibility.

Acuité believes ability of the firm to improve its scale of operations will remain a key rating monitorable.

### **Tender Base Nature of Operations**

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 covenants

None

## Liquidity Position

### Adequate

IPWT has adequate liquidity position marked by adequate net cash accruals against its negligible maturing debt obligations. The firm generated cash accruals of Rs.1.83 crore in FY2022 compared against maturing debt obligations of Rs.0.13 crore. The cash accruals of the firm are estimated to remain around Rs.1.82-1.98 crore during 2023-24 period while its matured debt obligations is estimated to be in the range of 0.18–0.23 crore during the same period. The average utilization of the working capital limits of the firm remained on the lower side of ~32.19% in last nine months ended September' 2022. Furthermore, the firm maintains unencumbered cash and bank balances of Rs.0.74 crore as on March 31, 2022 and the current ratio also stood moderate at 1.51 times as on March 31, 2022.

Acuité believes that the liquidity of the firm is likely to remain adequate over the near to medium term on account of moderate 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 while maintaining its capital structure. 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 and liquidity.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	39.76	28.96
PAT	Rs. Cr.	1.51	1.26
PAT Margin	(%)	3.80	4.36
Total Debt/Tangible Net Worth	Times	0.06	0.07
PBDIT/Interest	Times	10.79	5.13

## 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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria->

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Sep 2021	Bank Guarantee	Long Term	8.50	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
04 Aug 2020	Letter of Credit	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Long Term	8.50	ACUITE BBB-   Stable (Reaffirmed)
22 Jan 2019	Bank Guarantee	Long Term	8.50	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Letter of Credit	Long Term	2.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Proposed Bank Facility	Long Term	10.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	8.50	ACUITE BBB-   Stable   Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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