



Press Release
Industrial Plants and Waste Treatment Corporation
February 15, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	10.50	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	20.50	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 20.50 crore-bank facilities of Industrial Plant and Waste Treatment Corporation (IPWT). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation considers long-standing experience of IPWT's promoters, its long track record of operations, geographically diversified clientele along with stable financial performance. The financial risk profile is moderate marked by low tangible net worth, low gearing, and comfortable coverage indicators. The gearing levels stood at 0.04 times as on 31 March 2023 as against 0.06 times as on 31 March 2022.

However, the operating income moderated to Rs.29.77 Cr in FY2023 against Rs.39.76 Cr in FY2022, while the profitability margins improved to 4.51% in FY2023 against 3.83% in FY2022.

Further, the rating is constrained on account of working capital intensive operations, and risk associated with tender based nature of operations.

About the Company

Industrial Plant and Waste Treatment Corporation (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. Firm also has water proofing division servicing to large urban civil projects and special infrastructure projects. 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of the Industrial Plant and Waste Treatment Corporation (IPWT) 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 low tangible net worth, low gearing, and comfortable coverage ratios. The net worth of the firm is stood at Rs.11.97 crore as on 31 March 2023 as against Rs.11.54 crore as on 31 March 2022. The gearing level of the firm stood low at 0.04 times as on 31 March 2023 as against 0.06 times as on 31 March 2022. The total debt outstanding of Rs.0.44 crore includes term loan obligation (Vehicle loans) of Rs.0.19 crore, Rs.0.09 crore unsecured loans from promoters and directors and current maturities for long term debt of Rs.0.16 Cr as on March 31, 2023.

The coverage ratios of the firm decreased however, remained comfortable with Interest Coverage Ratio (ICR) of 6.75 times for FY2023 as against 10.79 times for FY2022. Also, the Debt Service Coverage Ratio (DSCR) stood at 3.41 times for FY2023 against 6.36 times for FY2022. The total outside liabilities to tangible net worth (TOL/TNW) of the firm stood at 1.61 times as on March 31, 2023 against 1.44 times as on March 31, 2022. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 3.48 times for FY2023 as against 2.63 times for FY2022.

Acuité 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 working capital-intensive in nature marked by high GCA days of 230 days as on March 31, 2023 as against 160 days as on March 31, 2022 due to the stretched receivables cycle.. The high GCA days are also led by other current assets which includes loans & advances, GST receivable and retention money. Further, the debtor days deteriorated and stood at 129 days as on March 31, 2023 as against 79 days as on March 31, 2022. The billing of waterproofing services is slightly concentrated towards the end of the fiscal year, resulting in elevated receivables. The inventory levels improved and stood at 17 days as on March 31, 2023 as against 30 days as on March 31, 2022. The creditors stood high at 228 days as on March 31, 2023 as against 166 days as on March 31, 2022. The average utilization of the working capital limits of the firm remained on the lower side of ~25.97% for BG and 9.42 % for LC for last twelve months ended December 2023.

Acuité believes that the working capital operations of the firm will remain at similar levels as evident from the stretched collection mechanism and efficient inventory levels over the medium term.

Modest Scale of operation

The revenue of the firm stood at Rs.29.77 crore in FY2023 registering a de-growth of ~25.12 percent YoY compared to revenue of Rs.39.76 crore in FY2022. However, the firm has been in business for over four decades and going ahead also, its scale of operations are expected to remain modest. In 9MFY23, the firm has generated a revenue of Rs.19.09 crore and is expected to close year above Rs.30 Cr. As on January 18, 2023, the firm has total order book of Rs.73.19 crore, out of which orders amounting to Rs.40.68 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.

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.1.53 crore in FY2023 compared against maturing debt obligations of Rs.0.26 crore. The cash accruals of the firm are estimated to remain around Rs.1.28-1.39 crore during 2024-25 period while its maturing debt obligations are estimated to be in the range of Rs.0.16–0.19 crore during the same period. The non-fund based bank limits of the firm stood low at an average utilization of ~25.97% for BG and 9.42 % for LC for last twelve months ended December 2023. Furthermore, the firm maintains unencumbered cash and bank balances of Rs.0.82 crore and liquid investment at Rs.8.18 Cr as on March 31, 2023. The current ratio stood moderate at 1.42 times as on March 31, 2023.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	29.77	39.76
PAT	Rs. Cr.	1.22	1.51
PAT Margin	(%)	4.10	3.80
Total Debt/Tangible Net Worth	Times	0.04	0.06
PBDIT/Interest	Times	6.75	10.79

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

Not Applicable

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-53.htm>

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Nov 2022	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)
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)

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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.50	ACUITE A3 Reaffirmed
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A3 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Reaffirmed

*The non-fund based short term facilities i.e. Bank Guarantee and Letter of credit rating has been changed from long term rating to short term rating.

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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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