

Ionisation Filtration Industries Private Limited: Upgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	3.00	SMERA BB-/Stable (Upgraded from SMERA B/Stable)
Term Loan	1.62 (Reduced from Rs. 2.50 crore)	SMERA BB-/Stable (Upgraded from SMERA B/Stable)
Bank Guarantee	6.00	SMERA A4+ (Upgraded from SMERA A4)
Proposed Long Term Facility	0.88	SMERA BB-/Stable (Assigned)

SMERA has upgraded the ratings of Ionisation Filtration Industries Private Limited (IFIPL) to **'SMERA BB-' (read as double B minus)** and **'SMERA A4+' (read as A four plus)** from **'SMERA B' (read as SMERA B)** and **'SMERA A4' (read as A four)** on the Rs. 11.50 crore bank facilities. The outlook is **'Stable'**.

The rating upgrade is in view of the significant improvement in operating profitability and working capital cycle. SMERA believes the company will sustain the improvement in its financial risk profile over the medium term on back of the consistent growth in its networth and absence of any large debt-funded capital expenditure (capex) programme.

The ratings continue to draw support from the experienced and qualified management, moderate financial risk profile and reputed clientele of the company. However, the ratings continue to remain constrained by the small scale and working capital intensive nature of operations.

Update

IFIPL, incorporated in 2001 is promoted by Mr. Vivek Joshi who possesses around three decades of experience in the Air Pollution Control Equipment industry.

IFIPL has reported operating income of Rs. 14.19 crore in FY2015-16 as against Rs.12.31 crore in the previous year, registering a growth of ~15.34 per cent in FY 2015-16 due to increase in orders from customers. As indicated by the management, IFIPL has achieved operating income of Rs. 8.44 crore for the period during April, 2016 to October, 2016. Further, the operating margin has improved to 10.89 per cent in FY2015-16 vis-à-vis 7.24 per cent due to decline in raw material prices.

The company has reported gearing of 0.54 times as on March 31, 2016 as against 1.37 times in the previous year. The unsecured loan from directors of Rs. 2.25 crore has been treated as equity as same is subordinate to bank debt. Further, the interest coverage ratio stood at 2.79 times for FY 2015-16 as against 2.57 times in the previous year. The debt service coverage ratio stood at 1.69 times for FY 2015-16 as against 2.15 times for FY 2014-15.

Further, the working capital cycle has improved to 21 days in FY 2015-16 from 61 days in the previous year. However the operations of the company continue to remain working capital intensive with gross current asset days (GCA) of 105 for FY 2015-16 as against 225 in the previous year. The liquidity profile of the company is comfortable with average cash credit limit utilisation of around 50 percent during the six months ended on 30th October, 2016.

Rating Sensitivity Factors

- Scaling up of operations while improving profitability
- Effective working capital management
- Debt funded capex plan

Criteria applied to arrive at the ratings:

- Manufacturing Entities
- Trading Entities

Outlook: Stable

SMERA believes the outlook on IFIPL's rated facilities will remain stable on account of its experienced management. The outlook may be revised to 'Positive' in case IFIPL is able to achieve significant growth in revenue and profitability on sustainable basis, effective management of working capital cycle with significant improvement in its capital structure. The outlook may be revised to 'Negative' in case IFIPL's financial risk profile and liquidity position deteriorates due to stretched working capital cycle and large debt-funded capital expenditure plan.

About the Company

IFIPL, incorporated in 2001, is a Pune-based company engaged in the manufacturing and trading of air pollution control equipments and provides allied services i.e. application engineering, design, supervision of erection & commissioning and maintenance contracts for various equipments. The company is promoted by Mr. Vivek Sudhakar Joshi who possesses around three decades of experience in the air pollution control equipment industry.

In FY 2015-16, IFIPL reported net profit after tax (PAT) of Rs.0.27 crore on operating income of Rs. 14.19 crore as compared to PAT of Rs. 0.10 crore on operating income of Rs. 12.31 crore for FY2014-15.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
25 Aug, 2015	Term Loan	2.50	SMERA B (Assigned)	-	Stable
	Cash Credit	3.00	SMERA B (Assigned)	-	Stable
	Bank Guarantee	6.00	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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