

Press Release

IONISATION FILTRATION INDUSTRIES PRIVATE LIMITED

July 03, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 11.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) from long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.11.50 crore bank facilities of IONISATION FILTRATION INDUSTRIES PRIVATE LIMITED (IFIPL). The outlook is '**Stable**'.

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 applications offered by IFIPL covers various industries such as Power, Cement, Steel, Pulp and Paper, Fertilizer, Sugar and Glass. However, IFIPL mainly caters to the cement industry with around 100 percent sales being made to this industry.

The rating has been downgraded on lower than expected revenues and decline in profitability margins which has led to deterioration in the financial risk profile.

Key Rating Drivers

Strengths

• Experienced management

IFIPL was incorporated in 2001 and is managed by Mr. Vivek Sudhakar Joshi having experience of around three decades in the Air Pollution Control (APC) equipment industry. He is supported by his wife, Mrs. Swati Vivek Joshi having experience of around fifteen years in handling the day to day operations of the company.

• Reputed clientele

The company caters to reputed clients like Ultratech Cements Limited, J.K. Cement Limited and The Ramco Cements Limited among others. Acuite believes that IFIPL will continue to benefit from its experienced management and longstanding relations with clients.

Weaknesses

• Uneven revenues and low profitability

IFIPL reported a turnover of ~Rs.14.00 crore in FY2018 (Provisional) against Rs.13.51 crore for FY2017 and Rs.14.19 crore in FY2016. Profitability margins have declined from 10.89 percent in FY2016 to 3.89 percent in FY2017, mainly on account of increase in operating cost.

• Moderate financial risk profile

The financial risk profile is moderate marked by low net worth of Rs.6.08 crore as on 31 March, 2017 (which includes unsecured loans from promoters of Rs.2.70 crore treated as quasi equity) as against Rs.5.60 crore a year earlier. The gearing stood at 0.51 times as on 31 March, 2017 as against 0.54 times as on 31 March, 2016. The total debt outstanding as on 31 March, 2017

Rs.3.10 crore which comprises Rs.1.47 crore of term loan and Rs.1.63 crore of working capital borrowings. The Interest coverage ratio declined to 1.68 times for FY2017 as against 2.79 times for FY2016.

The net cash accruals stood at Rs.0.46 crore in FY2017 against a debt obligation of Rs.0.35 crore. Acuite believes that maintaining a stable financial risk profile will be a key rating sensitivity factor.

• Working capital operations

IFIPL's operations are working-capital-intensive in nature with Gross Current Assets (GCA) of 139 days for FY2017 as against 103 days for FY2016. The company has high collection period of 59 days and an inventory holding period of 46 days for FY2017 against 57 days and 24 days respectively for FY2016.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of IFIPL to arrive at the rating.

Outlook: Stable

Acuite believes that IFIPL will maintain a 'Stable' outlook and continue to benefit over the medium term from its experienced management and healthy relations with reputed clientele. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while improving its profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management, leading to further deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	13.51	14.19	12.31
EBITDA	Rs. Cr.	0.53	1.55	0.89
PAT	Rs. Cr.	0.02	0.27	0.10
EBITDA Margin	(%)	3.89	10.89	7.24
PAT Margin	(%)	0.16	1.87	0.82
ROCE	(%)	8.37	11.41	7.76
Total Debt/Tangible Net Worth	Times	0.51	0.54	1.37
PBDIT/Interest	Times	1.68	2.79	2.57
Total Debt/PBDIT	Times	2.67	1.68	4.47
Gross Current Assets (Days)	Days	139	104	224

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-Feb-2018	Cash Credit	Long Term	3.00	ACUITE BB- (Indicative)
	Term Loan	Long Term	1.62	ACUITE BB- (Indicative)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Indicative)
	Proposed Working Capital Demand Loan	Long Term	0.88	ACUITE BB- (Indicative)
30-Nov-2016	Cash Credit	Long Term	3.00	ACUITE BB- /Stable (Upgraded)
	Term Loan	Long Term	1.62	ACUITE BB- /Stable (Upgraded)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Upgraded)
	Proposed Working Capital Demand Loan	Long Term	0.88	ACUITE BB- /Stable (Assigned)
25-Aug-2015	Term Loan	Long Term	2.50	ACUITE B / Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE B / Stable (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ /Stable (Downgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.02	ACUITE B+ /Stable (Downgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4 (Downgraded)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.48	ACUITE B+ /Stable (Downgraded)

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About Acuité Ratings & Research:

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