

Press Release

Ionisation Filtration Industries Private Limited

September 05, 2019

Rating Upgraded



| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs. 11.50 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable (Upgraded from ACUITE B+/Stable) |
| Short Term Rating | ACUITE A4+ (Upgraded from ACUITE A4) |

* Refer Annexure for details

Rating Rationale

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

The upgrade in the rating is on account of better than expected revenues and improvement in working capital operations leading to improvement in the financial risk profile of the company. The revenues stood at Rs.21.40 crore in FY2019 (Provisional) against Rs.14.13 crore in FY2018. The GCA improved to 67 days in FY2019 (Provisional) against 105 days in FY2018 and 139 days in FY2017. The interest coverage ratio stood at 2.06 times in FY2019 (Provisional) against 1.48 times in FY2018, while debt service coverage ratio stood at 1.21 times in FY2019 (Provisional) against 0.93 times in FY2018.

IFIPL, incorporated in 2001, is a Pune-based company engaged in the manufacturing and trading of air pollution control equipment and provides allied services i.e. application engineering, design, supervision of erection & commissioning and maintenance contracts for various equipment. 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 per cent sales being made to this industry.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced promoters and strong group support**

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 such as Ultratech Cements Limited, Ambuja Cements Limited India Cements Limited and The Ramco Cement Limited among others. Acuite believes that IFIPL will continue to benefit from its experienced management and longstanding relations with clients.

Weaknesses

- **Average financial risk profile**

The average financial risk profile of IFIPL is marked by moderate net worth, gearing and debt protection measures. The net worth of the company stood at Rs.3.51 crore as on March 31, 2019 (Provisional). Total debt of Rs.5.13 majorly includes Rs.2.75 crore of unsecured loans from directors, term loan of Rs.0.77 crore (Rs.0.35 crore maturing in FY20) and Rs.1.61 crore of cash credit facility.

Gearing stood moderate at 1.46 times as on March 31, 2019 (Prov.) as against 1.40 times as on March 31, 2018. However, the adjusted gearing (excluding unsecured loans from directors) stood at 0.68 times as on March 31, 2019 (Provisional) as against 0.59 times as on March 31, 2018. The GCA improved to 67 days in FY2019 (Provisional) as against 105 days in FY2018 and 139 days in FY2017 due to faster collection of receivables and better inventory management. The interest coverage ratio improved to 2.06 times in FY2019 (Provisional) from 1.48 times in FY2018, while debt service coverage ratio improved to 1.21 times in FY2019 (Provisional) from 0.93 times in FY2018. Acuite believes that sustainability of revenues alongwith improvement in profitability will be the key rating sensitives.

• Volatility in profitability

The profitability of the company has been volatile in the last three years. Operating margins stood at 3.99 per cent in FY2019 (Prov.) against 6.12 per cent in FY2018 and 3.89 per cent in FY2017. Similarly, PAT margins stood at 1.02 per cent in FY2019 (Prov.) as against (0.37) per cent in FY2018 and 0.16 per cent in FY2017.

Liquidity Position:

Liquidity of IFIPL is adequate as evident by sufficient net cash accruals to repay debt obligations, lower utilisation of working capital facilities and infusion of funds by the promoters. The net cash accruals stood in the range of Rs.0.30-0.60 crore against repayment obligations of Rs.0.35 crore for the last three years through 2017-2019. Liquidity is enhanced due to unsecured loans received from directors. The working capital operations of the firm are moderate as evident by GCA days of 67 in FY2019 (Provisional). This has led to lower reliance on the working capital borrowings. The working capital limits in the firm remained utilised at around 50-60 per cent during the last year. The firm maintains unencumbered cash and bank balances of Rs.0.34 crore as on March 31, 2019 (Provisional). The current ratio stood at 1.46 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the firm will remain comfortable over near to medium term because of increasing net cash accruals, lower repayment obligations and absence of any debt funded capex plans.

Outlook: Stable

Acuite believes that IFIPL will continue to maintain a 'Stable' outlook over near to medium term, owing to its experienced management and established relationship with customers. The outlook may be revised to 'Positive' in case the company achieves sustained growth in revenues and higher-than-expected improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

| | Unit | FY19 (Prov.) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------|---------------|---------------|
| Operating Income | Rs. Cr. | 21.40 | 14.13 | 13.51 |
| EBITDA | Rs. Cr. | 0.85 | 0.87 | 0.53 |
| PAT | Rs. Cr. | 0.22 | (0.05) | 0.02 |
| EBITDA Margin | (%) | 3.99 | 6.12 | 3.89 |
| PAT Margin | (%) | 1.02 | (0.37) | 0.16 |
| ROCE | (%) | 11.02 | 8.76 | 8.37 |
| Total Debt/Tangible Net Worth | Times | 1.46 | 1.40 | 1.71 |
| PBDIT/Interest | Times | 2.06 | 1.48 | 1.68 |
| Total Debt/PBDIT | Times | 4.21 | 4.41 | 5.00 |
| Gross Current Assets (Days) | Days | 67 | 105 | 139 |

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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. Cr.) | Ratings/Outlook |
|--------------|--------------------------------------|------------|------------------|---|
| 03-July-2018 | Cash Credit | Long Term | 3.00 | ACUITE B+ / Stable (Downgraded from ACUITE BB-) |
| | Term Loan | Long Term | 1.02 | ACUITE B+ / Stable (Downgraded from ACUITE BB-) |
| | Bank Guarantee | Short Term | 6.00 | ACUITE A4 (Downgraded from ACUITE A4+) |
| | Proposed Bank Facility | Long Term | 1.48 | ACUITE B+ / Stable (Downgraded from ACUITE BB-) |
| 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 | 2.50 | 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 | Cash Credit | Long Term | 3.00 | ACUITE B / Stable (Assigned) |
| | Term Loan | Long Term | 2.50 | 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 BB- / Stable (Upgraded from ACUITE B+/Stable) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 0.77 | ACUITE BB- / Stable (Upgraded from ACUITE B+/Stable) |
| Proposed Long Term Facility | Not Applicable | Not Applicable | Not Applicable | 1.73 | ACUITE BB- / Stable (Upgraded from ACUITE B+/Stable) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE A4+ (Upgraded from ACUITE A4) |

Contacts

| Analytical | Rating Desk |
|--|---|
| Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Rishabh Mundada Analyst - Rating Operations Tel: 022-49294033 rishabh.mundada@acuite.in | Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in |

About Acuité Ratings & Research:

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