

Press Release

Ionisation Filtration Industries Private Limited

November 30, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and the 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**'.

About Company

IFIPL is a Pune-based company, incorporated in 2001. The company is 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.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management:**

IFIPL was incorporated in the year 2001 and has an established presence of over a decade in Air Pollution Control (APC) equipment industry. The company is promoted by Mr. Vivek Joshi having experience of around three decades in the Air Pollution Control (APC) equipment industry. He is supported by his wife, Mrs. Swati Joshi having experience of around fifteen years in handling the day to day operations of the company. The extensive experience of the promoters and the established presence of the company has helped in maintaining healthy relations with reputed customers like Ultratech Cements Limited, J.K. Cement Limited and The Ramco Cements Limited, among others.

Acuité believes that the company will benefit from its experienced management, long-standing relations with customers over the medium term.

- **Moderate financial risk profile**

The company has a moderate financial risk profile marked by modest net worth, moderate gearing (debt-equity) and debt protection metrics. The tangible net worth of the company stood at Rs.3.99 crore as on 31 March, 2020 (Provisional) as against Rs.3.45 crore as on 31 March, 2019. The total debt of Rs.4.72 crore as on 31 March, 2020 (Provisional) consist of long term borrowings of Rs.0.51 crore, unsecured loan from promoters of Rs.2.17 crore and short term borrowing of Rs.2.04 crore. The gearing (debt-equity) stood at 1.18 times as on 31 March, 2020 (Provisional) as compared to 1.48 times as on 31 March, 2019. The Interest Coverage Ratio stood at 2.98 times for FY2020 (provisional) as against 1.97 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood low at 2.00 times as on 31 March, 2020 (Provisional) as against 2.33 times as on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.21 times for

FY2020 (Provisional). Debt Service Coverage Ratio (DSCR) stood at 1.67 times in FY2020 (Provisional) as against 1.18 times in FY2019.

Acuité believes that the financial risk profile of IFIPL will continue to remain moderate over the medium term on account of conservative financial policy and absence of any major debt-funded capital expenditure.

Weakness

• Intensive working capital cycle

The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 111 days in FY2020 (Provisional) and 66 days in FY2019. The receivable days stood at 65 days in FY2020 (Provisional) as against 35 days in FY2019. The inventory days stood at 38 days in FY2020 (Provisional) as against 25 days in FY2019. The average bank limit utilisation stood low at ~50.97 percent for the past 7 months ending October 2020.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Rating Sensitivities

- Sustaining existing scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

IFIPL has an adequate liquidity position marked by moderate net cash accruals to its maturing debt obligations. IFIPL generated cash accruals of Rs.0.50-1.10 crore during the last three years through 2018-20, while its maturing debt obligations were in the range of Rs.0.30-0.35 crore over the same period. The working capital cycle of the company is intensive, marked by Gross Current Assets (GCA) days of 111 days in FY2020 (Provisional) and 66 days in FY2019. The average bank limit utilisation stood low at ~38.00 percent for the past seven months ending October 2020. The company maintained unencumbered cash and bank balances of Rs.0.04 crore as on March 31, 2020 (Provisional). The current ratio of IFIPL stood moderate at 1.37 times as on March 31, 2020 (Provisional). Acuité believes that the liquidity of IFIPL is likely to remain adequate over the medium term.

Outlook: Stable

Acuité 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	19.65	21.32
PAT	Rs. Cr.	0.59	0.16
PAT Margin	(%)	2.98	0.74
Total Debt/Tangible Net Worth	Times	1.18	1.48
PBDIT/Interest	Times	2.98	1.97

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Sept-2019	Cash Credit	Long Term	3.00	ACUITE BB-/Stable (Upgraded from ACUITE B+/Stable)
	Term Loan	Long Term	0.77	ACUITE BB-/Stable (Upgraded from ACUITE B+/Stable)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Proposed Bank Facility	Long Term	1.73	ACUITE BB-/Stable (Upgraded from ACUITE B+/Stable)
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)

*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 (Reaffirmed)
Term Loan	June-2014	10.90	June-2020	0.41	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Sept-2020	7.85	Dec-2024	0.45	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.64	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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