

Press Release

Ionisation Filtration Industries Private Limited

February 21, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.58	ACUITEBB- Stable Reaffirmed	-
Bank Loan Ratings	7.92	-	ACUITEA4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	11.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* 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 the 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.

Weaknesses

>Below Average Financial risk profile

The financial risk profile of the company stood below average marked by low net worth, moderate gearing and negative debt protection metrics. The tangible net worth stood at Rs.1.83 crore as on 31 March, 2021 as against Rs.3.65 crore as on 31 March, 2020. The total debt of the company stood at Rs.5.08 crore includes Rs.0.34 crore of long term debt, Rs.2.47 crore unsecured loans from directors and Rs.1.89 crore of short term debt as on 31 March, 2021. The gearing (debt-equity) stood at 2.78 times as on 31 March, 2021 as compared to 1.28 times as on 31 March, 2020. Interest Coverage Ratio stood at (1.47) times for FY2021 as against 2.22 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at (0.95) times in FY2021 as against 1.33 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 4.25 times as on 31 March, 2021 as against 2.16 times on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at (0.30) times for FY2021.

>Intensive working capital cycle

The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 164 days in FY2021 and 102 days in FY2020. The receivable days stood at 47 days in FY2021 as against 64 days in FY2020. The inventory days stood at 81 days in FY2021 as against 29 days in FY2020. The average bank limit utilisation stood at ~70.45 percent for the past 6 months ending December 2021.

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: Stretched

The company's liquidity profile is stretched marked by negative net cash accruals against its maturing debt obligations. The working capital management of the company is intensive marked by GCA days of 164 days in FY2021 as against 102 days in FY2020. The company maintains low unencumbered cash and bank balances of Rs.0.03 crore as on March 31, 2021. The current ratio stands modest at 1.13 times as on March 31, 2021. The average bank limit utilization for the past 6 months ending December 2021 is ~70.45 percent.

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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	9.37	19.65
PAT	Rs. Cr.	(1.85)	0.25
PAT Margin	(%)	(19.73)	1.26
Total Debt/Tangible Net Worth	Times	2.78	1.28
PBDIT/Interest	Times	(1.47)	2.22

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 Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Nov 2020	Proposed Bank Facility	Long Term	1.64	ACUITE BB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	0.41	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	0.45	ACUITE BB- Stable (Reaffirmed)
05 Sep 2019	Cash Credit	Long Term	3.00	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)
	Proposed Bank Facility	Long Term	1.73	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)
03 Jul 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-)
	Cash Credit	Long Term	3.00	ACUITE BB- (Issuer not co-operating*)

20Feb 2018	Term Loan	Long Term	1.62	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Issuer not co-operating*)
	Proposed Working Capital Demand Loan	Long Term	0.88	ACUITE BB- (Issuer not co-operating*)
30 Nov 2016	Cash Credit	Long Term	3.00	ACUITE BB- Stable (Upgraded from ACUITE B Stable)
	Term Loan	Long Term	1.62	ACUITE BB- Stable (Upgraded from ACUITE B Stable)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Upgraded from ACUITE A4)
	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

Lender's Name	ISIN	Facilities	Date of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.92	ACUITE A4+ Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	27-09-2020	7.85	27-12-2024	0.36	ACUITE BB- Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	27-12-2021	7.50	27-12-2025	0.22	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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