

Press Release

Ionisation Filtration Industries Private Limited

May 08, 2023



Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.50	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	7.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	11.50	-	-

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE BB' (read as ACUITE double B)** from **'ACUITE BB-' (read as ACUITE double B minus)** and reaffirmed 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'**.

Rationale for rating upgrade

The rating upgrade of IFIPL takes into account improvement in the company's operational performance in FY2022. It also draws comfort from company's experienced management with an established track record of operations and its reputed clientele. The rating is however constrained by the company's below average financial risk profile and moderately working capital-intensive operations. Going forward, ability of the company to maintain its scale of operations and profitability margins along with improving its financial risk profile, while improving and maintaining an efficient working capital cycle will remain a key rating sensitivity factor.

About the Company

IFIPL incorporated in 2001, is a Pune based company engaged in 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.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management with an established track record of operations and reputed clientele

IFIPL has an operational track record of over two decades. It is promoted by Mr. Vivek Joshi

who possess an extensive experience of over three decades in the air pollution control equipment industry. He is supported by his wife Mrs. Swati Joshi (Executive Director) who possess nearly two decades of experience in the same industry. The promoter and director are being supported by its team of experienced professionals in managing day to day operations of IFIPL. The extensive experience of the management has enabled IFIPL to establish a healthy relationship with its reputed clientele like ACC Cement, Ambuja Cement, Ultratech Cement, Jaypee Group, Larsen & Toubro, JSW Steel, Thyssenkrupp, Beumer Group amongst others.

Acuité believes that IFIPL will continue to benefit from its experienced management with an established track record of operations and its reputed clientele.

Improved operating performance

IFIPL reported an increase in its revenue of Rs.45 Cr in FY2022 as against Rs.9 Cr in FY2021 and has achieved this on account of healthy order flow received majorly from the cement industry customers post pandemic phase towards the supply, installation and services related to air pollution control equipments. The company received orders worth around Rs.22 Cr during FY2022 from Ultratech Cement which is one of their major esteemed clients in the cement industry. Apart from this, the company also realised an improvement in its revenue on account of successfully completing the dispatch of the past pending orders which were affected during FY2021 due to the impact caused by covid induced lockdown restrictions which affected the overall operations of cement and other industries catered by the company.

The operating margin and net profit margin of the company stood improved at 7.16 percent and 4.18 percent in FY2022 as against (11.45) percent and (19.73) percent in FY2021 on account of overall improvement in the company's scale of operations.

For the current year FY2023 (Estimated), the company has however achieved lower revenue of Rs.38 Cr primarily due to delays in receiving approvals majorly from the cement industry customers towards dispatching of the required equipments. Despite of subdued revenue, the company has however achieved an improved operating margin of 10.02 percent and net profit margin of 4.34 percent. Going forward, company has orders worth ~Rs.48 Cr in pipeline for execution and will be also starting the commercial operations of its recently purchased factory unit by the end of Q1 FY2024 which provides adequate comfort towards ability of the company to maintain a stable operating performance.

Acuité believes that ability of IFIPL to maintain its scale of operations and profitability will remain a key rating sensitivity factor.

Weaknesses

Below average financial risk profile

Financial risk profile of IFIPL is below average marked by low net worth, high gearing and moderate debt protection metrics. The tangible net worth of the company stood improved albeit remained lower at Rs.4 Cr as on 31 March, 2022 as against Rs.2 Cr as on 31 March, 2021. The gearing (debt-equity) stood marginally improved at 2.72 times as on 31 March, 2022 as against 2.78 times as on 31 March, 2021. The high gearing is due to subsequent increase in the long term and short-term debt availed by the company from multiple banks along with an increase in the unsecured loans availed from directors to meet the working capital requirements. Apart from this, the company has further availed additional long-term debt in March 2023 towards purchasing a new factory unit in Pirangut, Pune and additional machineries to increase the overall production activities considering the stable order flow from the customers. The gearing is therefore expected to increase to 2.85 times in FY2023 (Estimated) and is expected to improve thereafter. The total debt of Rs.11 Cr as on 31 March, 2022 consists of long term bank borrowings of Rs.2 Cr, short term bank borrowings of Rs.6 Cr and unsecured loans from directors of Rs.3 Cr.

The interest coverage ratio and DSCR stood improved at 5.08 times and 2.81 times for FY2022 as against (1.47) times and (0.95) times for FY2021. The Net Cash Accruals to Total debt stood improved at 0.22 times for FY2022 as against (0.30) times for FY2021. The Total outside liabilities

to Tangible stood high at 6.39 times for FY2022 as against 4.25 times for FY2021. The Debt-EBITDA ratio stood improved at 3.10 times for FY2022 as against (5.61) times for FY2021.

Acuité believes that ability of IFIPL to improve its financial risk profile over the medium term will remain a key rating sensitivity factor.

Moderately working capital intensive operations

The working capital operations of IFIPL are moderately intensive marked by its Gross Current Assets (GCA) of 129 days for FY2022 which stood improved as against 164 days for FY2021. The debtors cycle stood elongated at 83 days in FY2022 as against 47 days in FY2021. The company generally receives around 20 percent of advance payments from its customers and the remaining is received upon dispatch of equipments. However, at times due to delays from the customers itself in providing the required approvals for dispatch of equipments, the balance payment therefore gets delayed which in turn affects the overall receivable cycle of the company. Further, the creditor days also stood elongated at 116 days in FY2022 as against 80 days in FY2021. The average bank limit utilization for 6 months' period ended December 2022 therefore stood high at ~81 percent. The inventory cycle of the company however stood improved at 37 days in FY2022 as against 81 days in FY2021.

Acuité believes that the ability of IFIPL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Rating Sensitivities

- Ability to maintain scale of operations and profitability
- Ability to improve financial risk profile
- Ability to improve and maintain an efficient working capital cycle

Material covenants

None

Liquidity position - Adequate

IFIPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.1 Cr to Rs.2 Cr during FY2020 to FY2022 against its repayment obligation in the range of Rs.0.35 Cr to Rs.0.31 Cr during the same period. Going forward the NCA are expected in the range of Rs.2 Cr to Rs.4 Cr for period FY2023-FY2025 against its repayment obligation of around Rs.1 Cr during the same period. The working capital operations of the company are moderately intensive marked by its gross current asset (GCA) days of 129 days for FY2022 as against 164 days for FY2021. The average bank limit utilization for 6 months' period ended December 2022 however stood high at ~81 percent. Current ratio stands at 1.16 times as on 31 March 2022. The company has maintained cash & bank balance of Rs.0.85 Cr in FY2022.

Acuité believes that liquidity of IFIPL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that IFIPL will maintain 'Stable' outlook over the medium term on account of its experienced management with an established track record of operations and reputed clientele. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	44.85	9.37
PAT	Rs. Cr.	1.88	(1.85)
PAT Margin	(%)	4.18	(19.73)
Total Debt/Tangible Net Worth	Times	2.72	2.78
PBDIT/Interest	Times	5.08	(1.47)

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

Not applicable

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Feb 2022	Term Loan	Long Term	0.22	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.92	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.36	ACUITE BB- Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A4+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE BB Stable Upgraded (from ACUITE BB-)
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB Stable Upgraded (from ACUITE BB-)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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