

Press Release

PURITA WATER SOLUTIONS PRIVATE LIMITED

December 12, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 10.00 crore bank facilities of PURITA WATER SOLUTIONS PRIVATE LIMITED. The outlook is '**Stable**'.

Purita Water Solutions Private Limited (PWSPL) is a Mumbai-based company incorporated in 2005. The company, promoted by Mr. Ravindra Wadel and Ms. Harsh Wadel is engaged in the designing, assembling and installation of industrial water treatment plants. It caters to steel, petrochemicals, power and other industries.

Key Rating Drivers

Strengths

- **Experienced management**

PWSPL was incorporated in 2005. The Mumbai-based company provides solutions for industrial water treatment and waste water management. The promoters, Mr. Ravindra Wadel and Ms. Harsh Wadel have more than a decade of experience in the aforementioned business. The promoters are also supported by a team of experienced senior level management. Extensive industry experience of the management has helped the company build healthy relations with customers and suppliers.

- **Comfortable operating profitability**

PWSPL has operating margin of 16.70 percent for FY2017 against 15.61 percent for FY2016. SMERA believes that the operating margins will remain comfortable on the back of value added services and timely project delivery.

- **Above average financial riskprofile**

PWSPL has networth of Rs.6.99 crore as on 31 March, 2017 as against Rs.4.53 crore as on 31 March, 2016. The gearing (debt-to-equity) stood at 0.37 times as on 31 March, 2017 against 0.80 times as on 31 March, 2016. The total debt of Rs.2.50 crore mainly comprises working capital borrowings. The Interest coverage ratio (ICR) stood at 2.37 times for FY2017 against 2.45 times for FY2016. The NCA/TD stood at 0.78 times for FY2017. Further, SMERA believes that PWSPL will maintain a comfortable capital structure on account of steady profitability and lower reliance on debt funded capital structure.

Weaknesses

- **Small scale of operations**

PWSPL achieved operating income of Rs.6.05 crore for FY2017 against Rs.8.29 crore for FY2016. The company registered revenue of Rs.5.00 crore from April to October 2017. However, the company has moderate order book position of Rs.52.00 crore which is expected to provide revenue visibility for the medium term.

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets (GCA) of 416 days for FY2017 against 261 days for FY2016. This is mainly on account of high inventory holding period of 252 days and debtor days of 164 for FY2017. Further, utilisation of working capital borrowing stood at ~100.00 percent for the past six months ended November 2017. SMERA believes that efficient working capital management will be crucial to the company in maintaining a stable credit profile.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of PWSPL.

Outlook: Stable

SMERA believes that PWSPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17, PSWPL reported profit after tax (PAT) of Rs. 0.26 crore on operating income of Rs.6.05 crore compared with PAT of Rs.0.39 crore on operating income of Rs.8.29 crore for FY2015-16. The net worth as on 31 March, 2017 stood at Rs.6.69 crore as against Rs.4.53 crore as on 31 March, 2016 (Networth includes subordinated quasi equity of Rs.1.90 crore as on 31 March 2017)

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

ICRA Limited in its press release dated December 08, 2017 inter alia has stated the following "ICRA has suspended the rating of [ICRA]C (pronounced ICRA C) and [ICRA]A4 (pronounced ICRA A four) ratings assigned to the Rs.13.00 crore line of credit of Purita Water Solutions Private Limited. The suspension follows ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the company."

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	1.50	SMERA BB- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB- / Stable

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Pranali Salgaonkar Analyst - Rating Operations Tel: 022-67141127 pranali.salgaonkar@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.