

Press Release

Purita Water Solutions Private Limited

February 13, 2019

Rating Downgraded and Reaffirmed



| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs. 10.00 Cr. |
| Long Term Rating | ACUITE B+ / Outlook: Stable (Downgraded from ACUITE BB-/Stable) |
| Short Term Rating | ACUITE A4 (Reaffirmed) |

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from **ACUITE BB-** (read as **ACUITE double B minus**) and reaffirmed short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 10.00 crore bank facilities of Purita Water Solutions Private Limited m, (PWPL). The outlook is '**Stable**'.

The downgrade is in view of deterioration in the working capital cycle and low scale of operations of the company.

PWPL 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.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management**

The promoters have more than a decade of experience in the aforementioned business. Further, promoters are also supported by a team of experienced senior level management. Acuite believes that promoters' extensive experience in the industry has helped the company maintain healthy relations with its customers and suppliers.

- Moderate financial risk profile**

The firm has moderate financial risk profile marked by net worth of Rs.5.35 crore as on 31 March, 2018 as against Rs.4.80 crore as on 31 March, 2017. The gearing stood healthy at 0.35 times as on 31 March, 2018 as against 0.92 times as on 31 March, 2017. The total debt of Rs.1.89 crore outstanding as on 31 March, 2018 comprises unsecured loans from promoters and related parties of Rs.0.13 crore and Rs.1.76 crore as short term working capital borrowings. Interest Coverage Ratio (ICR) stood at 1.93 times in FY2018 as against 2.37 times in FY2017. TOL/TNW stood at 1.05 times as on March 31, 2018 against 1.48 times as on March 31, 2017.

Weaknesses

- Small scale of operations**

PWPL achieved operating income of Rs.8.34 crore for FY2018 against Rs.6.05 crore for FY2017. The company registered revenue of Rs.11.00 crore from April to December 2018. However, the company has moderate order book position of ~Rs.79.00 crore which is expected to provide revenue visibility for the medium term.

• Working capital intensive operations

The working capital of the company continues to remain high marked by high Gross Current Assets (GCA) of 440 days as on March 31, 2018 against 417 days as on March 31, 2017. The reason for high GCA is on account of high inventory of 366 days as on March 31, 2018 against 252 days as on March 31, 2017. Although, the inventory will continue to remain high on account of nature of its contracts, which take an average completion time of ~18 months to 3 years. The debtors stood at 183 days as on March 31, 2018 (PY: 164 days).

Liquidity Profile

PWSPL has below average liquidity marked by moderate net cash accruals against no maturing debt obligations. The group generated cash accruals of Rs.0.58 crore to Rs.0.72 crore during the last three years through 2017-18. The cash accruals of the group are estimated to remain around Rs.0.56-0.60 crore during 2019-21 with no major repayment obligations. The group's operations are working capital intensive as marked by gross current asset (GCA) days of 440 days in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the group remains utilized at ~95 percent during the last 12 months period ended December 2018. The group maintains unencumbered cash and bank balances of Rs.0.08 crore as on March 31, 2018. The current ratio of the group stands healthy at 1.87 times as on March 31, 2018. Acuite believes that the liquidity of the group is likely to remain below average over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that PWPL 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

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 8.34 | 6.05 | 8.29 |
| EBITDA | Rs. Cr. | 3.17 | 1.01 | 1.29 |
| PAT | Rs. Cr. | 0.56 | 0.26 | 0.39 |
| EBITDA Margin | (%) | 37.96 | 16.70 | 15.61 |
| PAT Margin | (%) | 6.70 | 4.32 | 4.76 |
| ROCE | (%) | 14.77 | 9.19 | 26.74 |
| Total Debt/Tangible Net Worth | Times | 0.35 | 0.92 | 0.80 |
| PBDIT/Interest | Times | 1.93 | 2.37 | 2.45 |
| Total Debt/PBDIT | Times | 1.36 | 4.35 | 2.82 |
| Gross Current Assets (Days) | Days | 440 | 417 | 293 |

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.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 |
|-------------|---------------------------------|------------|------------------|--------------------------------|
| 12-Dec-2017 | Cash Credit | Long Term | 1.50 | ACUITE BB- / Stable (Assigned) |
| | Proposed Term Loan | Long Term | 2.00 | ACUITE BB- / Stable (Assigned) |
| | Proposed Cash Credit | Long Term | 1.50 | ACUITE BB- / Stable (Assigned) |
| | Bank Guarantee | Short Term | 2.50 | ACUITE A4 (Assigned) |
| | Letter of Credit | Short Term | 1.50 | ACUITE A4 (Assigned) |
| | Proposed Short Term Loan | Short Term | 1.00 | 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 | 2.50 | ACUITE B+ / Stable (Downgraded) |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 4.50 | ACUITE A4 (Reaffirmed) |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 1.50 | ACUITE A4 (Reaffirmed) |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 1.50 | ACUITE A4 (Reaffirmed) |

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About Acuité Ratings & Research:

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