

Press Release

Hi Tech Sweet Water Technologies Private Limited

20 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 102.00 Crore.
Long Term Rating	SMERA BBB-/Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and short term rating of '**SMERA A3**' (read as SMERA A three) on the Rs. 102.00 crore bank facilities of Hi Tech Sweet Water Technologies Private Limited (HTSWTPL). The outlook is '**Stable**'.

The Surat-based HTSWTPL was incorporated in 1999 by Mr. Vijay Shah and Mr. Satish Agarwal. The company is engaged in the manufacturing of commercial, domestic and industrial RO (reverse osmosis) based water purification systems. It also provides end-to-end solutions for RO technology-based water treatment plants including manufacturing membranes, filters, RO platforms, installation, monitoring and after sales servicing.

List of key rating drivers and their detailed description:

Strengths

Experienced management, established position

HTSWTPL has an established position of more than a decade in the water purification industry and is supported by a strong distribution network. The promoters, Mr. Vijay Shah and Mr. Satish Agarwal have experience of more than two decades in the industry. The extensive experience of the management and market position has helped the company establish long term relations with suppliers and customers.

Diversified revenue profile

HTSWTPL manufactures a range of products, from small purification systems for home use to those used for industrial applications. The company also manufactures water purifier components which help cater to OEM and the replacement market. The sales segment is diversified. The company caters to the government, corporates, has a retail presence and also provides AMC services.

Average financial risk profile

The financial risk profile is average marked by adjusted net worth of Rs 62.29 crore as on 31 March, 2017 compared to Rs 44.80 crore in the previous year. The adjusted net worth includes unsecured loans treated as quasi equity to the tune of Rs 10.27 crore. The adjusted gearing stood at 1.29 times in FY2017 and 1.75 times in FY2016. The Interest Coverage Ratio stood at 2.12 times in FY2017 and FY2016. The DSCR stood at an average 1.70 times as on 31 March, 2017 as against 1.28 times as on 31 March, 2016.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by Gross Current Asset (GCA) days of 148 in FY2017 and FY2016. The GCA days are marked by high inventory days of 91 in FY2017 as compared to 84 days in FY2016. The inventory days are on the higher side due to inventories stored at retail outlets. Further, the average bank limit utilisation has been fully utilised.

Highly competitive industry

The water purification industry is highly competitive. HTSWTPL faces competition from large players such as Eureka Forbes, Kent RO System, Hindustan Unilever Ltd., Livepure Private Ltd to name a few.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of HTSWTPL to arrive at the rating.

Outlook: Stable

SMERA believes that HTSWTPL will maintain a stable outlook over the medium term owing to its experienced management and established market position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity -Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	302.62	273.21	238.04
EBITDA	Rs. Cr.	24.60	19.69	17.80
PAT	Rs. Cr.	7.93	5.90	5.20
EBITDA Margin	(%)	8.13	7.21	7.48
PAT Margin	(%)	2.62	2.16	2.18
ROCE	(%)	17.26	15.47	28.35
Total Debt/Tangible Net Worth	Times	1.26	1.75	1.90
PBDIT/Interest	Times	2.12	2.12	2.00
Total Debt/PBDIT	Times	3.13	3.85	4.19
Gross Current Assets (Days)	Days	148	146	158

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	70.00	SMERA BBB- / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.52	SMERA BBB- / Stable
Long Term (Proposed)	Not Applicable	Not Applicable	Not Applicable	0.48	SMERA BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A3
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A3

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ABOUT SMERA

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