

Press Release

APEX ECOTECH PRIVATE LIMITED

March 08, 2018

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 plus**) on the Rs. 10.00 crore bank facilities of APEX ECOTECH PRIVATE LIMITED. The outlook is '**Stable**'.

Apex Ecotech Private Limited (AEPL) is incorporated in 2009 is Pune based company promoted by Mr. Anuj Dosajh Mr. Ramesh Iyer Mr. Ajay Raina and Mr. Lalit Datta. AEPL is engaged in providing advance water and waste water treatment technologies and solutions. The company is engaged in designing assembling and installation of water treatment plant and also provides annual maintenance services. The company caters to various factories and industries like Pharma Automobile Pesticides Textile Paper Paint Food and Meat processing etc. AEPL derive entire revenue from private companies majorly located across India. It takes ~3-5 months or 6-8 months for building one plant depending on its size and specification. AEPL mainly caters to American and Japanese companies.

Key Rating Drivers

Strengths

- **Experienced management:**

The promoters Mr. Anuj Dosajh, Mr. Ramesh Iyer, Mr. Ajay Raina and Mr. Lalit Datta have around three decade of experience in the same line of business. The directors of AEPL have earlier worked with Thermax Ltd and have gained experience and market knowledge of water and waste water recycling industry. This has helped in building healthy relationship with customers and suppliers. Further, management is also supported by senior and experienced second level management, which has helped in timely execution of projects.

- **Comfortable operating profitability**

The operating margin of AEPL was 10.63 percent for FY2017 more or less at the same level i.e 10.40 percent in FY2016. SMERA believes the operating margins will remain at the same level in context of the company's experience in the line of business.

- **Reputed clientele**

AEPL has served reputed client like Honda Motorcycles And Scooters India, Hero Moto Corp Ltd, Mushahi Auto parts, Hitachi Chemicals, Tata Housing Development Co. Ltd, Mahindra Life Space Developers Ltd, Tv Today, Common Wealth Games Village, Eros Group to name a few which gives them the competitive edge and opportunity to procure bigger projects.

Weaknesses

- **Modest scale of operations**

AEPL has a small of operations which is reflected by its operating income of Rs.22.87 crore for FY2017 which has reduced from Rs.25.26 crore for FY2016 and Rs.16.62 crore for FY2014. Operating income remained uneven due to the order book position and execution time associated with it.

- **Average financial risk profile**

AEPL has average financial risk profile marked by Gearing (debt-to-equity) of 2.63 times as on 31 March 2017 against 4.98 times as on 31 March 2016. Total debt of Rs.7.35 crore includes long term loan of Rs.2.76 crore and working capital borrowings of Rs.4.01 crore and loan raised through directors of Rs.0.40 crore. The net worth stood low at Rs.2.80 Crore as on 31st March 2017. Interest coverage ratio (ICR) stood at 1.74 times for FY2017 against 1.71 times for FY2016. As indicated AEPL will have lower reliance on debt funded capital structure further company is also planning to repay its term loan obligation which will improve gearing and coverage indicators going forward.

- **Working capital intensive nature of operations**

AEPL has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 203 days for FY2017 and 212 days for FY2016. Further utilisation of working capital borrowing stood at ~85.00 percent.

Analytical Approach

SMERA has considered the standalone financials of AEPL.

Outlook: Stable

SMERA believes AEPL will maintain a stable business risk profile in 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 revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.87	25.26	16.62
EBITDA	Rs. Cr.	2.43	2.63	1.87
PAT	Rs. Cr.	0.57	0.70	0.36
EBITDA Margin	(%)	10.63	10.40	11.22
PAT Margin	(%)	2.51	2.77	2.16
ROCE	(%)	21.70	30.06	44.66
Total Debt/Tangible Net Worth	Times	2.63	4.98	5.78
PBDIT/Interest	Times	1.74	1.71	1.50
Total Debt/PBDIT	Times	2.99	3.04	3.42
Gross Current Assets (Days)	Days	203	212	208

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.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>

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
Term loans	Not Applicable	Not Applicable	Not Applicable	1.80	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.90	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.30	SMERA A4+

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ABOUT SMERA

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