

Press Release

Apex EcoTech Private Limited

May 30, 2019



Rating Upgraded and Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has upgraded 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**) to Rs.10.00 crore bank facilities of Apex Ecotech Private Limited (AEPL). The outlook is '**Stable**'.

Rating upgrade reflects improvement on account of revenue growth while maintaining its financial risk profile. Further, the company has healthy orders in hand providing revenue visibility and it has also streamlined its working capital cycle over the previous year.

Pune Based, Apex Ecotech Private Limited (AEPL) was incorporated in 2009 by Mr. Anuj Dosajh, Mr. Ramesh Iyer, Mr. Ajay Raina and Mr. Lalit Datta. The company is engaged in providing integrated water treatment solution which finds its use in various industries like automobile, food and beverages, textile, paper, chemical & fertilizers among others. AEPL design, assemble and install water treatment plant and also provides annual operational and maintenance services.

Analytical Approach

Acuité has considered standalone business and financial risk profile of AEPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established industrial presence**

AEPL has presence of a decade in providing water treatment solutions. The company has its presence in pan India as well as in foreign countries like Nigeria, Indonesia to name a few. The company is managed by its promoters namely, Mr. Anuj Dosajh, Mr. Ajay Raina, Mr. Lalit Mohan Datta and Mr. Ramakrishnan Balasundaram Aiyer who have extensive experience of more than a decade in provided various water treatment solutions. The extensive experience and presence of AEPL has forayed in establishing healthy relationship with reputed clients including Ashok Leyland Limited, Honda Motercycle and Scooters India private Limited, Hero MotoCorp Limited, Honda Cars India Limited among others.

Acuité believes that promoters' entrepreneurial experience and healthy relationship with customers is expected to support its business risk profile over the medium term.

- **Moderate financial risk profile improving Order book position**

AEPL has comfortable order book position of Rs. 30.21 crore executable over FY19. Further, additional orders are expected in coming months thus providing adequate revenue visibility over the medium term.

Weaknesses

- **Moderate albeit improving financial risk profile**

AEPL has moderate financial risk profile marked by moderate Networth, moderate gearing and debt protection metrices. The net worth stood at Rs. 4.07 crore as on 31 March, 2019 (Prov) as against Rs. 3.05 crore as on 31 March, 2018. The gearing stood at 1.52 times as on 31 March, 2019 (Prov) as compared to 1.36 times as on 31 March, 2018. The total debt of Rs. 6.71 crore as on 31

March, 2019 (Prov.) mainly consists of term loan of Rs.3.54 crore, unsecured loans of Rs. 0.14 crore and working capital borrowings of Rs. 2.49 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved and stood at 3.92 times as on 31 March, 2019 (prov.) as against 4.33 times as on 31 March, 2018 mainly on account of improvement in profitability. Interest Coverage Ratio (ICR) stood healthy at 2.51 times in FY2019 (Prov) as compared to 1.67 times in FY2018 mainly on account of low interest cost and stable operating margins.

• Modest scale of operations

AEPL operates at small scale, reflected in revenue of Rs 31.37 crore during fiscal 2018 which prevents the company from deriving benefits from economies of scale. Modest scale also limits pricing flexibility, thereby constraining profitability.

• Working capital intensive nature of operations

The water treatment plant has gestation period ranging from 4 to 9 months leading to higher working capital requirement over the build-up period. The GCA days stood moderate at 166 days in FY19 (Prov.) as compared to 250 days in FY18. The decline in GCA days is on account of decline in inventory holding to 45 days in FY19 (prov) from 88 days in FY18. Further the debtor turnaround days also improved to 52 days in FY19 (prov) from 93 days in FY18. This is partially supported by payables of around 81 days in FY19 (prov).

Liquidity Position

Bank limit utilisation was fully utilized for the six months ended March 31, 2019. Utilisation is expected to remain high on account of large working capital requirement. Expected cash accrual of over Rs 1.82-3.77 crore over FY20-22 and is likely to be sufficient against term debt obligation of Rs 0.60 crore in FY20-22, respectively. The remaining accrual will cushion liquidity. Current ratio was moderate at 1.20 times as on March 31, 2018.

Outlook: Stable

Acuité 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	FY19 (Prov)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	31.37	17.40	22.87
EBITDA	Rs. Cr.	2.58	1.87	2.43
PAT	Rs. Cr.	0.92	0.42	0.57
EBITDA Margin	(%)	8.22	10.73	10.62
PAT Margin	(%)	2.94	2.39	2.50
ROCE	(%)	26.97	21.49	21.68
Total Debt/Tangible Net Worth	Times	1.52	1.36	2.63
PBDIT/Interest	Times	2.51	1.67	1.74
Total Debt/PBDIT	Times	2.33	2.01	2.99
Gross Current Assets (Days)	Days	166	250	203

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
04-Sep-2018	Term loan	Long Term	1.80	ACUITE BB-/Stable (Assigned)
	Cash Credit	Long Term	4.90	ACUITE BB-/Stable (Assigned)
	Bank Guarantee/ Letter of Guarantee	Short Term	3.30	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
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.02 (Reduced from Rs.1.80 cr)	ACUITE BB/Stable (Upgraded from ACUITE BB-/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50 (Reduced from Rs.4.90 cr)	ACUITE BB/Stable (Upgraded from ACUITE BB-/Stable)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.70 (Enhanced from Rs.3.30 cr)	ACUITE A4+ (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.78	ACUITE BB/Stable (Upgraded from ACUITE BB-/Stable)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Bhanupriya Khandelwal Analyst - Rating Operations Tel: 022-49294045 bhanupriya.khandelwal@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.