

## 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

Acuite 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

Acuite 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 Motorcycle and Scooters India private Limited, Hero MotoCorp Limited, Honda Cars India Limited among others.

Acuite 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, moderategearing 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**

Acuite 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)

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**About Acuité Ratings & Research:**

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