

Press Release

Apex Ecotech Private Limited

September 03, 2020



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 10.10 crore (Enhanced from Rs.10.00 crore)
Long Term Rating	ACUITE BB/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.10.10 crore bank facilities of Apex Ecotech Private Limited. The outlook is '**Stable**'.

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 solutions which find its use in various industries like automobile, food and beverages, textile, paper, chemicals, fertilizers and others. AEPL designs assembles and installs water treatment plant and also provides annual operational and maintenance services.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and industrial presence**

The company has established its presence pan India as well as in foreign countries like Nigeria, Indonesia, to name a few. AEPL 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 providing various water treatment solutions. Their extensive experience has helped in establishing a healthy relationship with reputed clients including Ashok Leyland Limited, Honda Motorcycle and Scooters India Private Limited, Hero MotoCorp Limited and Honda Cars India Limited. Acuité believes that promoter's experience and healthy long term relationship with customers is expected to support its business risk profile over the medium term.

- **Comfortable financial risk profile**

The company's comfortable financial risk profile is marked by modest net worth, comfortable gearing and strong debt protection metrics. The net worth of the company improved to Rs.6.17 crores as on March 31, 2020(Provisional), compared to Rs.3.95 crores on March 31, 2019 due to retention of profits. The company has comfortable gearing at 0.34 times as on March 31, 2020(Provisional) as against 1.56 times as on March 31, 2019. The debt of Rs.2.10 crores mainly consists of an unsecured loan of Rs.1.25 crores, and short term debt of Rs.0.85 crore as on March 31, 2020(Provisional). The strong debt protection metrics of the company is marked by Interest Coverage Ratio, which stood at 3.98 times (Provisional) in FY2020 as against 2.31 times in FY2019. The NCA/TD(Net Cash accruals to total debt) stood at 1.22 times in FY2020 (provisional) as compared to 0.17 times in FY2019 mainly on account of improvement in profitability. Going forward, the financial risk profile of the company is expected to remain at healthy levels on account of steady accruals over the medium term.

Weaknesses

- **Working capital intensive operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 112 days in FY2020(Provisional) as compared to 161 days in FY2019. The high GCA days are on account of high debtor period, which stood at 70 days in FY2020 (Provisional) as compared to 53 days in FY2019. The collection period ranges from 45-90 days. However, the decrease in GCA days emanated from a decrease in inventory holding period. The inventory holding is comfortable at 13 days in FY2020 (Provisional) as compared to 45 days in FY2019. The company has inventory of machinery parts which are assembled by the company. Acuité believes that the working capital operations of the firm will remain the same due to the high debtor's level over the medium term.

- **Moderate impact of economic slowdown brought by the spread of COVID-19**

The ongoing economic slowdown brought on by the spread of COVID-19 across India and the rest of the world has affected the industrial activities. This is expected to continue over the current financial year. The slowdown is expected to negatively affect the company's revenue and profitability as AEPL designs, assembles and installs water treatment plant and related equipment to large industrial units. The order book and revenue primarily depend on the level of industrial activity, capacity expansion and overall growth in the economy. However, this is partially mitigated by a stable stream of revenue in the form of operations and maintenance (O&M) contracts and supply of spare parts to their existing clientele.

Rating Sensitivity

- Improvement in working capital operations
- Sustenance of financial risk profile

Material Covenants

None

Liquidity Profile: Adequate

The company's liquidity is adequate, marked by moderate net cash accruals of Rs.2.57 crores in FY2020 (Provisional) against no major debt repayments. The net cash accruals are expected to be ranging from Rs.0.56 crores to Rs.2.27 crores over the medium term. The current ratio stood at 1.31 times as on March 31, 2020 (Provisional) as compared to 1.20 times as on March 31, 2019. The bank limit remains utilized at 51 percent over six months ended on March, 2020. The company has not availed any loan moratorium but has availed a COVID loan of Rs. 40 lakhs. However, the company's operations are working capital intensive marked by Gross Current Asset (GCA) days of 112 days in FY2020 (Provisional) compared to 161 days in FY2019. The water treatment plant has a gestation period ranging from 4 to 9 months leading to higher working capital requirement over the build-up period. The unencumbered cash and bank balances stood at Rs.0.18 crore as on March 31, 2020(Provisional). Acuité believes that the liquidity of the company continues to remain adequate, supported by moderate accruals against no major debt repayments over the medium term.

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 significant improvement in working capital operations. 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	FY20(Prov)	FY19 (Actual)
Operating Income	Rs. Cr.	44.35	31.19
PAT	Rs. Cr.	2.23	0.73
PAT Margin	(%)	5.03	2.34
Total Debt/Tangible Net Worth	Times	0.34	1.56
PBDIT/Interest	Times	3.98	2.31

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

Not applicable

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
May 30, 2019	Term Loan	Long Term	1.02	ACUITE BB/Stable (Upgraded)
	Cash Credit	Long Term	2.50	ACUITE BB/Stable (Upgraded)
	Proposed bank facility	Long Term	0.78	ACUITE BB/Stable (Upgraded)
	Bank Guarantee	Short Term	5.70	ACUITE A4+ (Reaffirmed)
March 8, 2018	Term Loan	Long Term	1.80	ACUITE BB-/Stable (Assigned)
	Cash Credit	Long Term	4.90	ACUITE BB-/Stable (Assigned)
	Bank 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.) Crore	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.60 (Enhanced from 6.50)	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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