

Press Release

Apex Ecotech Private Limited

January 06, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	6.60		ACUITE A4+ Reaffirmed
Bank Ratings Loan	3.50	ACUITE BB Stable Reaffirmed	
Total	10.10	-	-

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'.

The rating on AEPL takes cognizance of the long-track record of operations and good industrial presence. These strengths are, however, constrained by the deterioration of the business risk profile and. elongated working capital cycle.

About the Company

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. The company is engaged in provided integrated water treatment solution which finds its use in various industries like automobile, food and beverages, textile, paper, chemical & fertilizers among 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** 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. Further, it caters to foreign countries like Nigeria, Indonesia, to name a few Acuité believes that promoter's experience and established relationship with customers is expected to support its business risk profile over the medium term.
- **Moderate financial risk profile** The company's moderate financial risk profile is marked by comfortable gearing, I and modest net worth. The company has comfortable gearing

at 0.95 times as on March 31, 2021(Provisional) as against 0.25 times as on March 31,2020. The net worth of the company decreased to Rs.4.29 crores as on March 31, 2021(Provisional), compared to Rs.6.01 crores on March 31, 2020 on account of losses incurred . The debt of Rs.4.08 crore mainly consists short term debt of Rs.2.77 crore . Going forward, the financial risk profile of the company is expected to improve supported by moderate accruals and in absence of any capital expenditure plan.

Weaknesses

- **Working capital intensive operations** The working capital-intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 245 days as on March 31, 2021(Provisional) as compared to 120 days as on March 31, 2020. The high GCA days are on account of high debtor period, which stood at 124 days as on March 31, 2021(Provisional) as compared to 68 days as on March 31, 2020. The customers provide initial advance of~10-30% of project depending on the amount of bank guarantee furnished. The collection period ranges from 45-90 days. However, the inventory holding is moderate at 72 days as on March 31, 2021(Provisional) as compared to 21 days as on March 31, 2020. Acuité believes that the working capital operations of the firm will remain same due to high debtors' level over the medium term.
- **Deteriorated business risk profile** The business risk profile of the company is largely impacted by the pandemic. AEPL has achieved revenues of Rs. 13.31 crores in FY2021(Prov) as compared to revenues of Rs.44.47 crores in FY2020. Further, the company has incurred losses in FY2021. Acuité believes the improvement in business risk profile of the company will remain a key rating sensitivity.

Rating Sensitivities

- Growth in scale of operations while improving profitability margin
- Elongation of working capital cycle.

Material covenants

None

Liquidity Position: Stretched

The company's liquidity is stretched marked by losses incurred in FY2021. The bank limit remains utilized at 74.41 percent over six months ended on November, 2021.The current ratio stood at 1.12 times as on March 31,2021(Provisional) as compared to 1.30 times as on March 31, 2020. The company has not availed any loan moratorium but has availed a covid loan of Rs. 0.40 Cr. Acuité believes that the liquidity of the company will improve supported by moderate accruals.

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.

Other Factors affecting Rating

None

About the Rated Entity - Key Financials

	Unit	FY21 (Prov)	FY20 (Actual)
Operating Income	Rs. Cr.	13.31	44.47
PAT	Rs. Cr.	(1.73)	2.67
PAT Margin	(%)	(12.97)	6.01
Total Debt/Tangible Net Wtms		0.95	0.25

Worth			
PBDIT/Interest	Times	(2.30)	4.94

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- 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>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Sep 2020	Cash Credit	Long Term	3.50	ACUITE BB Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.60	ACUITE A4+ (Reaffirmed)
21 Aug 2020	Bank Guarantee	Short Term	6.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.50	ACUITE BB Stable (Reaffirmed)
30 May 2019	Cash Credit	Long Term	2.50	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Bank Guarantee	Short Term	5.70	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	1.02	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Proposed Bank Facility	Long Term	0.78	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
08 Mar 2018	Term Loan	Long Term	1.80	ACUITE BB- Stable (Assigned)
	Bank Guarantee	Short Term	3.30	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	4.90	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.60	ACUITE A4+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Shubhaditya Sarkar Analyst-Rating Operations Tel: 022-49294065 shubhaditya.sarkar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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