

Press Release

Apex Ecotech Private Limited

March 24, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.05	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	10.05	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	10.10	-	-

Rating Rationale

Acuite 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**'.

Rationale for Reaffirmation

The rating reaffirmation takes into consideration the improved operating performance marked by increased operating income and profitability along with improved financial risk profile and moderate working capital operations. The operating income stood at Rs 19.58 crore in FY2022 against Rs.11.90 crore in FY2021. In 11M FY2023, revenue stood at Rs 28.25 crore and is expected to close the year in the range of Rs.35-40 crore. The improvement in revenue and profitability is expected to surpass its pre-pandemic levels over the medium term. Going forward, AEPL's ability to sustain the growth in its scale of operations and profitability levels while restricting elongations in its working capital operations will remain a key monitorable.

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

Acuite 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 two decades 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.

Improving operating performance

AEPL's operating performance was severely impacted due to covid-19 pandemic. It has achieved a revenue of Rs.19.58 crore in FY2022 against Rs.11.90 crore in FY2021 on account of increased orders. For 11M FY2023, the company has achieved a revenue of Rs.28.25 crore and is expected to close the year in the range of Rs.35-40 crore for FY2023. It is supported by an unexecuted order book position of Rs.23.35 crore as of February 2023, of this Rs.13.54 crore is expected to be booked before the year end and the rest Rs.9.71 crore by April 2023. The operating and net profit margins marked an improvement and stood at 2.16 and 0.11 percent in FY2022 against (8.01) and (13.87) percent in FY2021 respectively. Going forward, improvement in the operating performance is expected over the medium term, which presently is yet to achieve the pre-pandemic levels.

Moderate financial risk profile

AEPL's financial risk profile is moderate marked by comfortable gearing and moderate debt protection metrics. The net worth of the company stood at Rs. 4.38 crore as on March 31, 2022, against 4.35 crore as on March 31, 2021. The debt of the company stood at Rs 1.10 crore as on March 31, 2022, against Rs.4.08 crore as on March 31, 2021. During FY22, AEPL had reduced its CC limit from Rs.3.50 crore to Rs.0.05 crore. Company also sold fixed assets of approximately worth Rs.3.10 crore, proceeds of which were used to pay off the CC facility.

The company's gearing has been comfortable and further improved to 0.25 times as on March 31, 2022 against 0.94 times as on March 31, 2021. The debt protection metrics improved and stood moderate in FY2022 marked by ICR of 2.53 times in FY2022 against (2.15) times in FY2021. DSCR stood at 1.12 times in FY2022 against (2.11) times in FY2021.. Going forward, the financial risk profile of the company is expected to improve and remain moderate on account of no planned capex.

Weaknesses

Working Capital Intensive nature of operations

AEPL's working capital operations improved and stood moderate marked by Gross Current Assets (GCA) days of 141 days as on March 31, 2022, as compared to 260 days as on March 31, 2021. The GCA days are led by receivables days of 65 days in FY2022 against 138 days in FY2021. The inventory days stood at 37days in FY2022 against 81 days in FY2021. Company maintains inventory as per order basis. Company has two rented warehouses wherein the raw material procured is stored. Approximately 10-15 percent raw material is imported, and the rest is procured domestically. Company doesn't have a factory of its own, they design the parts, and the manufacturing is outsourced. Creditor days stood at 56 days in FY2022 against 202 days in FY2021. Going ahead, working capital operations of the company are expected to remain moderate over the medium term.

Highly competitive and fragmented nature of industry

AEPL operates in a highly fragmented industry with a large number of organized and unorganized players present in the market. However, the risk is mitigated to an extent on account of established track record of operations of AEPL.

Rating Sensitivities

- Sustained growth in scale of operations while improving profitability.
- Elongation of working capital cycle.

Material covenants

None

Liquidity Position

Adequate

The company's liquidity is adequate marked by sufficient cash accruals of Rs. 0.38 crores in FY2022 against maturing debt obligations of Rs.0.31 crore. The fund-based bank limit utilisation is moderate at 32 percent for last 10 months ending January 2023 and non-fund based limit utilisation stood high at 60 percent during the same period. The current ratio improved to 1.75 times as on March 31, 2022 as compared to 1.09 times as on March 31, 2021. The unencumbered cash and bank balances stood at Rs.0.14 crore as on March 31, 2022. Going forward, cash accruals are expected to remain in the range of Rs.2.85-4.47 crore against maturing debt obligations of approximately Rs.0.33 crore for both the years. Acuite believes that the liquidity of the company will remain adequate supported by sufficient cash accruals against maturing debt obligations.

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 significant improvement in the revenues while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the working capital operations leading to deterioration of the liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	19.58	11.90
PAT	Rs. Cr.	0.02	(1.65)
PAT Margin	(%)	0.11	(13.87)
Total Debt/Tangible Net Worth	Times	0.25	0.94
PBDIT/Interest	Times	2.53	(2.15)

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

None

Any other information

NA

Applicable Criteria

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jan 2022	Bank Guarantee	Short Term	6.60	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.50	ACUITE BB Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.40	ACUITE A4+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.05	ACUITE BB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.65	ACUITE A4+ Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Pradeep Singh Senior Analyst-Rating Operations Tel: 022-49294065 pradeep.singh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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