

Press Release

CLEANTECH SYSTEMS PRIVATE LIMITED

February 28, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.90 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 7.90 crore bank facilities of CLEANTECH SYSTEMS PRIVATE LIMITED (CSPL). The outlook is '**Stable**'.

Pune based, CSPL was incorporated in 2006 by Mr. Prashant Savardekar Mrs. Pratibha Savardekar and Mr. Milind Mehendale. The company is engaged in the assembling of special purpose component cleaning machines, majorly for the automobile and pharmaceutical industry. The company has a shed with a total capacity of 6000 square feet.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long track record of operations along with experienced management**

CSPL was incorporated in 2006. Mr. Prashant Savardekar, Managing Director, has been associated with the automobile industry for more than a decade before starting his own business of assembling special purpose component cleaning machinery, mainly used in the automobile and pharmaceutical industry. Acuité believes that long track record of the company and extensive experience of the promoter has helped the company maintain long term relations with customers and suppliers.

- **Reputed customer base**

CSPL has established long term relations with reputed clients including Mahindra & Mahindra Ltd., Cummins India Ltd., Maruti Suzuki India Ltd. (Gurgaon), Suzuki Motor Gujarat Pvt. Ltd. and Ashok Leyland Ltd. to name a few.

Weaknesses

- **Small scale of operations**

The operations of CSPL are on small scale marked by operating revenue of Rs.8.43 crore in FY2018 against Rs.11.28 crore in FY2017. This is majorly on account of low demand in the industry resulting from long life of the machines. The average life of the machine is 10 years. Hence, the major source of revenue for the company is annual repair and maintenance fee from existing customers. Although, there will be an expected demand from the automobile industry with increased penetration of electronic cars. The company registered sales of Rs.14.00 crore for the period of April, 2018 to January, 2019. The ability of the company to increase its scale of operations will be a key rating sensitivity.

• **Below average financial risk profile**

The company had below average financial risk profile marked by net worth of Rs.0.81 crore as on March 31, 2018 as compared to Rs.1.88 crore in the previous year. This is on account of net losses of Rs.0.98 crore in FY2018. The decline in gearing of the company as shown by debt-equity ratio stood at 4.70 times as on March 31, 2018 as against 1.69 times in the previous year. Total debt of the company as on March 31, 2018 of Rs.3.80 crore comprises of Rs.1.65 crore of long term loan from the bank, Rs.0.26 crore of unsecured loan and Rs.1.90 crore of short term finance from the bank. Interest Coverage Ratio (ICR) stood weak at -0.63 times in FY2018 as compared to 1.65 times in the previous year. Total Outstanding Liability to Total Net Worth (TOL/TNW) stood at 12.19 times in FY2018 as against 4.08 times a year ago.

Liquidity Profile:

CSPL has stretched liquidity marked by negative net cash accruals to its maturing debt obligations. The company generated negative cash accruals of Rs.0.79 crore for FY2018 against a debt obligation of Rs.0.38 crore. The cash accruals of the company are estimated to improve during 2019-21. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 353 in FY2018. This has led to higher reliance on working capital borrowings, the cash credit limit of the company remains utilised at ~98 percent during the last 12 months period ended January, 2019. Acuité believes that the liquidity of the group is likely to improve over the medium term on account of moderate cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that CSPL will maintain a 'Stable' business risk profile on account of its established operational track record and experienced management. The outlook may be revised to 'Positive' in case the company is able to achieve significant growth in revenue and significant improvement in its financial risk profile. The outlook may be revised to 'Negative' in case of any further deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	8.43	11.28	9.12
EBITDA	Rs. Cr.	-0.32	0.71	0.67
PAT	Rs. Cr.	-0.98	0.05	0.13
EBITDA Margin	(%)	-3.82	6.26	7.38
PAT Margin	(%)	-11.67	0.47	1.44
ROCE	(%)	-10.13	10.27	20.15
Total Debt/Tangible Net Worth	Times	4.70	1.69	1.77
PBDIT/Interest	Times	-0.63	1.65	1.88
Total Debt/PBDIT	Times	-12.39	4.42	4.59
Gross Current Assets (Days)	Days	353	250	247

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

Not Applicable

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE B+ / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.85	ACUITE A4
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE B+ / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.65	ACUITE A4

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About Acuité Ratings & Research:

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