

Press Release

Mother Earth Environ Tech Private Limited

July 08, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.28.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs.28.00 crore bank facilities of Mother Earth Environ Tech Private Limited (MEEPL). The outlook is '**Stable**'.

Incorporated in the year 2011, Mother Earth Environ Tech Private Limited (MEEPL) is engaged in offering waste management treatment, storage, disposal facilities. The company focuses on undertaking activities across the waste value chain, including sample testing of the waste generated, collection of waste, sorting and segregation, treatment or recycling and disposal of waste in eco-friendly manner. The company has in house lab testing facility for carrying out waste segregation and disposal activities effectively. MEEPL is accredited by NABL (National Accreditation Board for Testing and Calibration Laboratories) and certified by ISO (International Organisation for Standardisation).

The company offers treatment for Chemical sludge, ETP sludge, solid waste, sulphur containing residue, etc. MEEPL has approval from Karnataka State Pollution Control Board (KSPCB) and approval from the Ministry of Forest and Climate Change.

The company is managed by Mr. T.N Paramesh, who is the managing director, Mr Hemanth Gowda, Mr Chaitra Paramesh and Mrs Savitri Channappa being the other directors. MEEPL is part of Chaitra Group, which chaired by Mr. T.N Paramesh.

MEEPL currently has a hazardous waste landfill of Treatment Segregation Disposal Facility (TSDF) site of 4 acres of industrial land with 1,51,000 MT capacity allotted by Karnataka Industrial Area Development Board (KIADB) in Harohalli, Kanakapura Taluk, Karnataka. The hazardous waste landfill is currently 80% utilized.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the MEEPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management and reputed clientele

MEEPL's is set up in the year 2011. The company's risk profile is supported by director Mr. T.N Paramesh's business experience of 35 years and 10 years of industry experience in managing industry hazardous waste treatment and disposal. Over a period of time, MEEPL's has developed reputed clientele such as Biocon Limited, Jubilant Generics Private Limited, JSW Steel Limited and many more.

• Moderate financial risk profile

The financial risk profile of the company has moderately improved in over the three years 2017-19 with revenue recorded at Rs. 19.67 crore for FY 2019 as compared to Rs. 13.69 crore for FY 2018. The net worth of the company stood modest at Rs.7.31 crore as on March 31, 2019 against Rs.4.49 crore as on March 31, 2018. The gearing stood at 0.58 as on March 31, 2019 as against 1.60 as on March 31, 2018. Coverage indicators are improving year on year owing to increasing profitability. Interest coverage ratio (ICR) stood at 6.33 times in FY2019 as against 4.31 times in FY2018.

Weaknesses

• Project implementation risk

The company is exposed to the risk of completion of the TSDf projects within the timeline as the projects need necessary approvals from government authority. MEEPL currently has an expansion plan for second TSDf in Yadgir district, Karnataka which is 40 acres of land with 12,10,000 MT capacity. The land is allocated by KIADB. The project cost is Rs. 38.69 crore and the means of finance being the infusion of unsecured loans from promoters and directors of Rs.18 crore and Term loan of Rs.20 crore. The company has another expansion plan for setting up of third TSDf at Harohalli 3rd Stage, Ramanagar District, which is 19 acres of land. The land is allocated by KIADB and the approval from CPCB (Center Pollution Control Board) is in process and the project is expected to start commercial production in January 2022. The project cost is Rs. 58.49 crore. The means of finance being unsecured loans from promoters and directors of Rs.18.49 crore and Term loan of Rs.40.00 crore. Acuite believes that any significant increase in exposure towards long term debt would impinge on the financial risk profile and liquidity of the company.

• Moderate scale of operations and volatile profitability margins

MEEPL's scale of operations stood moderate at Rs.19.67 crore for FY 2019 as compared to Rs.13.99 crore in previous year. The profitability margins of the company has been volatile with EBITDA margin at 30.86% for FY 2019 as against 43.60 crore for FY2018. Acuite believes that sustaining the profitability while improving its revenues are key rating sensitivity factor

Liquidity position: Adequate

The liquidity position of the company is adequate marked by moderate cash accruals vis-à-vis debt repayment obligation. The cash accruals for FY2019 is Rs.4.72 crore as against debt repayment obligation of Rs. 1.47 crore and the remaining accrual will cushion liquidity. The current ratio of the company improved to 1.40 times as on March 31, 2019 as against 0.61 times as on March 31, 2018.

Rating Sensitivities

- Significant improvement in revenues while maintaining the profitability
- Any further deterioration in liquidity

Material Covenants

None

Outlook: Stable

Acuite believes MEEPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's profitability or significant deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	19.67	13.99
PAT	Rs. Cr.	2.24	1.65
PAT Margin	(%)	11.40	11.83
Total Debt/Tangible Net Worth	Times	0.58	1.60
PBDIT/Interest	Times	6.33	4.31

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

None

Any other information

None

Applicable Criteria

- Entities in Service Sector: <https://www.acuite.in/view-rating-criteria-50.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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loan	July 2019	Not Applicable	March 2030	20.00	ACUITE B/Stable (Assigned)
Term loan	Sept 2018	Not Applicable	Sept 2022	0.56	ACUITE B/Stable (Assigned)
Term loan	August 2017	Not Applicable	August 2021	0.96	ACUITE B/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.48	ACUITE B/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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