

## Press Release

Mother Earth Environ Tech Private Limited

March 03, 2023



### Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.00	ACUITE B+   Stable   Assigned	-
Bank Loan Ratings	28.00	ACUITE B+   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-

### Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from **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**'.

Acuite has also assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.32.00 Cr bank facilities of MEEPL. The outlook is '**Stable**'.

### Rationale for the rating

The rating is upgraded basis improvement in the operating performance of MEEPL marked by improved operating income and profitability levels. The operating income of MEEPL improved to Rs.32.14 Cr in FY2022 as against Rs. 20.63 Cr in FY2021. The operating profitability margin stood at 35.93 percent in FY22 as against 34.71 percent in FY21. However, the rating is constrained by the project implementation risk of ongoing capex and working capital intensive nature of operations of MEEPL.

### About the Company

Incorporated in the year 2011, Mother Earth Environ Tech Private Limited (MEEPL) is engaged in offering waste management treatment, storage, disposal facilities. 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 MEEPL is managed by Mr. T.N Paramesh, Mr Hemanth Gowda, Mr Chaitra Paramesh and Mrs Savitri Channappa.

### 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

Incorporated in 2011, MEEPL is managed by Mr. T.N Paramesh who has an overall business

experience of 35 years and 10 years of industry experience in managing hazardous waste treatment and disposal.

The extensive experience of the promoters has helped MEEPL in forming relations with reputed clientele such as Cipla limited, Biocon limited, KIADB, Stelis Biopharma Pvt. Ltd, Micro Labs limited, Shilpa medicare Ltd, Hikal Ltd and many more.

### **Moderate financial risk profile**

The financial risk profile of the MEEPL is moderate marked by moderate capital structure and debt protection metrics. The directors have infused the equity capital of Rs.2.65 Cr in the FY2022. The net worth of the company stood modest at Rs.18.97 crore as on March 31, 2022 against Rs.13.43 crore as on March 31, 2021. The gearing ratio deteriorated and stood at 2.44 times as on March 31, 2022 as against 2.35 times as on March 31, 2021; debt increased to Rs.44.52 Cr from Rs.30.18 Crs in FY2022. The total debt of Rs.46.32 crore as on March 31, 2022 consist of long-term debt of Rs.44.52 Cr, and maturing portion of long term borrowings of Rs.1.80 Cr. The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 3.31 times and 2.16 times respectively in March 31, 2022. NCA/TD (Net cash accruals to total debt) stands at 0.16 times as on March 31, 2022 as against 0.14 times in March 31, 2021.

### **Weaknesses**

#### **Project implementation risk**

The company is exposed to the risk of completion of the projects within the timeline as the projects need necessary approvals from government authority. MEEPL currently has an expansion plan for second TSDF in Harohalli, Karnataka which is 19 acres of land. The land is allocated by KIADB and the approval from CPCB (Center Pollution Control Board) is received. 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. The company has another expansion plan for setting up of Hazardous Waste Incinerator in Yadagir which is in 10 acres of land. The land is allocated by KIADB. The project cost is Rs. 21.41 crore. The means of finance being unsecured loans from promoters and directors of Rs.8.91 crore and term loan of Rs.12.50 crore. Acuité believes that any significant increase in exposure towards long term debt would impinge on the financial risk profile and liquidity of the company.

#### **Intensive working capital operations**

MEEPL's working capital cycle is intensive marked by Gross Current Assets (GCA) days at 166 days as on March 31, 2022 as against 292 days as on March 31, 2021. The GCA days are majorly marked by high current assets. The debtor's period stood intensive at 90 days as on March 31, 2022 as against 94 days as on March 31, 2021. The debtor outstanding more than 6 months have increased in the FY2022. The payable day stood at 277 days as on March 31, 2022 as against 196 days as on March 31, 2021.

#### **Highly regulated industry and changes in the government rules and regulations affect the operations of the company.**

The company are follow the rules and regulations set by the government on the regulatory environment and any changes will result in the cancellation of the license

### **Rating Sensitivities**

- Significant and sustainable improvement in scale of operations while maintaining profitability margins.
- Timely servicing of debt obligations
- Further elongation of working capital cycle adversely impacting the liquidity profile of the company

### **Material covenants**

None

### **Liquidity Position: Adequate**

MEEPL's liquidity has generated sufficient Net Cash Accruals (NCAs) to its repayment obligations. The NCA is at Rs.7.39 Cr against to repayment obligation of Rs.1.43 Cr in the FY2022. MEEPL will generate net cash accruals of Rs.8.40 -10.75 Cr during the next three years through 2023-25, while its maturing debt obligations were in the range of Rs.2.48 – 6.23 Cr during the same period. MEEPL's has maintained unencumbered cash and bank balances Rs.2.28 Cr and the current ratio stood at 1.12 times as on March 31, 2022. Acuite believes that the liquidity of the company is likely to remain sufficient over the medium term on account of high cash accrual as against its repayments.

### 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

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	32.14	20.63
PAT	Rs. Cr.	2.89	1.59
PAT Margin	(%)	8.99	7.72
Total Debt/Tangible Net Worth	Times	2.44	2.35
PBDIT/Interest	Times	3.31	2.70

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

ISSUER NOT COOPERATING by Brickwork Ratings as per press release dated May 05, 2022.

### Any other information

None

### Applicable Criteria

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

### 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Nov 2022	Term Loan	Long Term	0.56	ACUITE B ( Issuer not co-operating*)
	Proposed Bank Facility	Long Term	6.48	ACUITE B ( Issuer not co-operating*)
	Term Loan	Long Term	0.96	ACUITE B ( Issuer not co-operating*)
	Term Loan	Long Term	20.00	ACUITE B ( Issuer not co-operating*)
20 Aug 2021	Term Loan	Long Term	0.56	ACUITE B ( Issuer not co-operating*)
	Term Loan	Long Term	20.00	ACUITE B ( Issuer not co-operating*)
	Term Loan	Long Term	0.96	ACUITE B ( Issuer not co-operating*)
	Proposed Bank Facility	Long Term	6.48	ACUITE B ( Issuer not co-operating*)
08 Jul 2020	Term Loan	Long Term	0.96	ACUITE B   Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE B   Stable (Assigned)
	Term Loan	Long Term	0.56	ACUITE B   Stable (Assigned)
	Proposed Bank Facility	Long Term	6.48	ACUITE B   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.00	ACUITE B+   Stable   Upgraded
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.00	ACUITE B+   Stable   Upgraded
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	32.00	ACUITE B+   Stable   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:thejaswini.pv@acuite.in">thejaswini.pv@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.