

Press Release

Sarjan Watertech India Private Limited

April 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 10.00 crore bank facilities of Sarjan Watertech India Private Limited. The outlook is '**Stable**'.

The Ahmedabad-based Sarjan Watertech India Private Limited (SWIPL) was established as a partnership firm in 2003 and reconstituted as a private limited company in 2008. The ISO:9001-2000 certified company manufactures, assembles, supplies water purification and filtration products as also allied accessories. The company was promoted by Mr. Sunil Trivedi, Mr. Rajiv Bakshi and Ms. Darshana Trivedi who possess around three decades of experience in the said line of business.

Key Rating Drivers

Strengths

- **Experienced management and moderate track record of operations**

SWIPL benefits from its experienced management. Mr. Sunil Trivedi, Mr. Rajiv Bakshi and Ms. Darshana Trivedi, the Directors, possess around three decades of experience in the said line of business.

- **Healthy relations with customers**

The company has been catering to reputed clients such as TATA Chemicals Ltd and Godrej and Boyce Mfg Co. Ltd for the last three years. The two companies contribute around ~57.05 per cent to the total revenue.

Weaknesses

- **Below average financial risk profile**

The gearing (debt-to-equity ratio) stood at 3.91 times as on 31 March, 2016 as compared to 4.03 times in the previous year. The net worth stood at Rs.1.81 cr in FY2015-16 as against Rs.1.70 cr in FY2014-15. The Interest coverage ratio stood at 1.61 times in FY2015-16 as compared to 1.71 times in FY2014-15. The Debt Service coverage ratio stood at 1.10 times in FY2015-16 as compared to 1.22 times in FY2014-15.

- **Working capital intensive operations**

The operations are working capital intensive reflected in the gross current asset (GCA) of ~213 days for FY2015-16 on account of high inventory days of 101 days and high debtor days of 106 days. Further, the working capital limit has been fully utilised with average utilisation of around 100 percent in the last six months ended January 2017.

- **Profitability susceptibility to fluctuations in raw material prices and forex rates**

Around 30 per cent of raw material used in assembling water treatment machines is imported by the company. The raw material comprises membrane, booster pumps and RO filters that constitute around 80 percent of the total cost of sales. Hence, fluctuations in raw material prices or forex rates can have substantial effect on the profitability of the company.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SWIPL.

Outlook: Stable

SMERA believes that SWIPL will maintain a stable outlook over the medium term on the back of its experienced management and diversified customer base. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenue while improving profitability margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profit margin, or deterioration in the working capital management.

About the Rated Entity - Key Financials

For FY2015-16, the company reported PAT of Rs.0.10 cr on operating income of Rs.15.25 cr, as compared with PAT of Rs.0.23 cr on operating income of Rs.17.00 cr in FY2014-15. The net worth stood at Rs.1.81 cr as on March 31, 2016 against Rs.1.70 cr a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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
Term loans	Not Applicable	Not Applicable	30-Sep-2017	0.42	SMERA B- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.08	SMERA B- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4

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