

## Press Release

### Sarjan Watertech India Private Limited

June 05, 2018

### Rating Upgraded and Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable (Upgraded from ACUITE B-)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

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

The upgrade is driven by improvement in net worth to Rs.3.80 crore in FY2018 from Rs.1.98 crore in FY2017. The ratings continue to derive support from the company's established track record, promoters experience and long standing relations with leading players. SWIPL was set up as a partnership firm in 2003 and reconstituted as a private limited company in 2008. Promoted by Mr. Sunil Trivedi and his family, the company is based at Ahmedabad (Gujarat). SWIPL is an ISO: 9001-2000 certified company that manufactures, assembles, supplies and exports water purification and filtration products and allied accessories for chemical and pharmaceutical companies.

### 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 for the last three years.

- **Comfortable operating profitability**

SWIPL has operating margin of 12.36 percent in FY2017 against operating margin of 7.52 percent in FY2016. PAT margin of the company also improved to 1.39 percent in FY2017 from 0.65 percent in FY2016.

#### Weaknesses

- **Moderate scale of operations**

SWIPL has achieved operating income of Rs.9.38 crore for FY2017 as against Rs.15.25 crore for FY2016 and Rs.17.00 crore for FY2015.

- **Below average financial risk profile**

The gearing (debt-to-equity ratio) stood at 4.04 times as on 31 March, 2017 as compared to 3.91 times in the previous year. The net worth stood at Rs.1.98 crore in FY2016-17 as against Rs.1.81 crore in FY2015-16. There is infusion of capital in FY2018 and paid up capital is Rs.2.70 crore as on 31 March, 2018. The Interest coverage ratio stood at 1.63 times in FY2016-17 as compared to

1.61 times in FY2015-16. The Debt Service Coverage Ratio stood at 1.57 times in FY2016-17 as compared to 1.10 times in FY2015-16.

• **Working capital intensive operations**

The operations are working capital intensive reflected in the Gross Current Asset (GCA) of 289 days for FY2016-17 on account of high inventory days of 210 days and high debtor days of 151 days. Further, the working capital limit has been fully utilised with average utilisation of around 100 percent in the last six months.

• **Profitability susceptible to fluctuations in raw material prices and forex rates**

Around 60 percent 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**

Acuite has considered standalone financial and business risk profile of SWIPL to arrive at the rating.

**Outlook: Stable**

Acuite 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 revenues while achieving improvement in capacity utilisation. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins, or in case of deterioration in working capital management.

**About the Rated Entity - Key Financials**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	9.38	15.25	17.00
EBITDA	Rs. Cr.	1.16	1.15	1.37
PAT	Rs. Cr.	0.13	0.10	0.23
EBITDA Margin	(%)	12.36	7.52	8.08
PAT Margin	(%)	1.39	0.65	1.36
ROCE	(%)	9.41	10.01	25.77
Total Debt/Tangible Net Worth	Times	4.04	3.91	4.03
PBDIT/Interest	Times	1.63	1.61	1.71
Total Debt/PBDIT	Times	6.89	6.19	4.96
Gross Current Assets (Days)	Days	374	213	196

**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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-Apr-2017	Cash Credit	Long Term	5.00	ACUITE B- / Stable (Assigned)
	Term Loan	Short Term	0.42	ACUITE B- / Stable (Assigned)
	Proposed	Long Term	3.08	ACUITE B- / Stable (Assigned)
	Letter of credit	Short Term	1.50	ACUITE A4 (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B / Stable (Upgraded from ACUITE B-)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.42	ACUITE B /Stable (Upgraded from ACUITE B-)
Proposed	Not Applicable	Not Applicable	Not Applicable	3.08	ACUITE B / Stable (Upgraded from ACUITE B-)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)

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### About Acuité Ratings & Research:

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