Reissued Rating Rationale

Brickwork Ratings assigns 'BWR BBB-' & 'BWR A3' for Bank Credit Facilities aggregating ₹58.32 Cr of Aireff Detox Pvt Ltd.

Brickwork Ratings (BWR) has assigned the **Ratings**[1] of 'BWR BBB-' for the long term Bank credit facilities (existing & proposed) of ₹ 22.02 Cr & 'BWR A3' for the existing & proposed Short term Bank credit facilities (existing & proposed) of ₹ 36.30 Cr of Aireff Detox Pvt Ltd. *("ADPL" or "the Company")*[1], availed through Various banks.

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit (Sub Limit of LC)	7.02	Long Term	**BWR BBB-** (Pronounced Triple B minus) **Outlook : Stable**
Proposed Cash Credit facility	15.00		
LC Cum Bank Guarantee	21.30	Short Term	**BWR A3** (Pronounced A Three)
Proposed LC Cum Bank Guarantee	15.00		
Total	**58.32**	**(INR Fifty Eight Crores and Thirty Two Lakhs only)**	

The rating reflects promoters experience and expertise in environment business, long standing relations with reputed customer's base, strong order book reflecting healthy revenue visibility, capital infusion by promoters to support future growth plans, favourable long term demand prospects for the water/waste water treatment projects, conservative capital structure with low leverage and comfortable coverage indicators, and promoters ability to infuse further equity as per business requirement

The rating is however constrained by vulnerability of the profitability to competitive pressures, fluctuations in the prices of raw materials particularly in case of fixed price based contracts as well as high working capital inherent in the EPC business, on-going weak macroeconomic conditions & difficult operating environment with increasing competitive pressures could affect the order inflows in the near to medium term and relatively modest scale of business limiting economics of scale.

Background

ADPL is engaged in design, development and execution of Turnkey Projects for Water & Waste Water Treatment & Recycling – including Effluent Treatment & Recycling, Sewage Treatment & Recycling, Hazardous & Bio-Medical Waste Incineration Systems, Water Treatment & Supply Systems, Air pollution Control Systems, Municipal Solid waste Management, Bioremediation of Water Bodies and Lake Beautification/Revival, etc. The Company caters to various industries, mainly Nuclear, Chemical, Pharma, Fertilizer, Refineries, Steel Plant, Tanneries, Health Care, Textile, Public service, etc. A few of the companies, to whom we have offered/offering services are SAIL, Rashtriya Ispat Nigam Ltd.(RINL),ONGC, BARC, NTPC, Northern Coal Fields and Western Coal Fields (World Bank Projects), Bangalore Water Supply and Sewage Board, Rajasthan Textile Mills, Hindustan Aeronautics Ltd., Hindustan Zinc Ltd, NALCO, Nuclear Power Corp. Ltd. and the Railways.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

Operations

ADPL has been accepted as one of the most capable Environmental Engineering Companies in India. ADPL has commissioned several hundreds of projects across 120 cities in India and in South East Asia. In order to render complete environmental solutions to its prospective customers, ADPL extended its operations by taking up projects on turnkey basis. Apart from Process Design, Basic Engineering, Detailed Engineering, company's total solutions include Construction at site, Procurement of Equipment's, Erection, Testing and Commissioning, O & M for limited period and after sales services. The entire turnkey execution of the contract typically covers a period of 12 to 36 months depending upon the size of the plant.

Financial performance-

Provisional revenue for FY14 improved to Rs. 49.40 crs backed by better project execution and higher realization. Operating margins have improved to 14.77% in FY14 compared to 12.66% in FY13 on account of increase in price realizations and better cost management. Consequently net profit margin has also improved to 2.18% in FY14. The company has strong order book of approx Rs. 150 crores reflecting healthy revenue visibility going ahead. The company is expected to record revenues of Rs. 85 crs in FY15 backed by better project execution. Debt levels mainly consist of working capital limits especially BG limits, which is generally required in such kind of business. Debt levels are expected to remain at current levels going ahead. Debt equity of the company is very low on account of better net worth backed by continuous equity infusion by promoters and better profitability which is again ploughed back in the company. Coverage indicators improved in FY14 backed by better

operating performance, going ahead expected to remain at comfortable levels on account of modest debt levels and improvement in operating performance.

Outlook

Going forward, the Company's ability to execute the orders in timely manner without any cost escalation, while maintaining favourable capital structure and effectively manage its working capital along with the substantial improvement in revenues & profitability would be key rating sensitivities for the firm. The outlook is expected to be stable over the coming year and the performance is estimated to be steady and in line with past performance.

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