

January 23, 2017

## Hi-Tech Sweet Water Technologies Private Limited

Instrument*	Rated Amount (in crore)	Rating Action
Non-Fund Based Limits	30.00	[ICRA]A4+; assigned
Fund Based Limits	74.79	[ICRA]BB+ (Stable); assigned
<b>Total</b>	<b>104.79</b>	

\*Instrument Details are provided in Annexure-1

### Rating Action

ICRA has assigned the long term rating of [ICRA]BB+ (pronounced as ICRA double B plus)<sup>1</sup> to the Rs. 74.79 crore long term fund based facilities of Hi-Tech Sweet Water Technologies Private Limited (Hi-Tech). ICRA has also assigned the short term rating of [ICRA]A4+ (pronounced as ICRA A four plus) for the Rs. 30.00 crore<sup>2</sup> non-fund based bank facilities of Hi-Tech. The outlook on the long term rating is 'Stable'.

### Detailed Rationale

The assigned ratings are constrained by working capital intensive nature of operations due to high inventory holding requirement resulting in almost full utilisation of cash credit facilities. The ratings are also constrained by the moderate financial risk profile characterised by high gearing levels and moderate coverage indicators. Further, the ratings also take into account the vulnerability of company's profitability to adverse fluctuations in raw material (LDPE/PP granules) prices and its low bargaining power with major suppliers coupled with high competitive pressure from organised as well unorganised players in domestic and commercial water purifier segment. Profitability is also susceptible to forex fluctuations as ~40% of raw material requirement is imported.

The ratings however, positively consider the long track record of Hi-tech's promoters in the RO-based water treatment industry and its diversified revenue profile and diversified customer base. ICRA also takes note of periodical capacity enhancement and consequent growth in the operating income from FY2012 to FY2016 coupled with stable profitability margins.

Going forward, the ability of the company to scale up operations, improve its profitability and capital structure while managing the working capital to trim debt will comprise the key rating sensitivities.

<sup>1</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

<sup>2</sup> 100 lakh = 1 crore = 10 million

## Key rating drivers

### Credit Strengths

- Long experience of the promoter in the RO based water purifier systems
- Diversified revenue and customer profile with wide product portfolio catering various segments
- Healthy growth in operating income over the past five years while maintaining stable profitability;

### Credit Weakness

- Working capital intensive operations due to high inventory holding resulting in high cash credit limit utilisation
- Moderate financial risk profile characterised by high gearing levels and moderate coverage indicators
- Vulnerability of profitability to adverse fluctuations in foreign exchange rates as ~40% of raw material requirement is imported
- Exposure to fluctuations in raw material prices i.e. PP/LDPE/HIPS/PC, which are linked to price of crude oil; limited bargaining power with the suppliers in terms of prices and credit period
- Stiff competitive pressure from organized as well unorganised players in domestic and commercial water purifier segment

### Detailed description of key rating drivers highlighted above:

The promoters of Hi-Tech have two-decade long experience in the Ro-based water purification systems and export industry establishing strong business relationship with customers. Hi-Tech manufactures RO-based water treatment plants for industrial, commercial and domestic use along with manufacturing membrane and filters. It also participates in the government projects, with each segment contributing equal share, revenue profile is diversified. Hi-tech has diversified revenue base as reflected by top 10 customers contributing ~10% of total sales in FY2015 and FY2016. The operating income of Hi-Tech has grown at a CAGR of 16% over the last five fiscals from Rs. 160.6 crore in FY2012 to Rs. 287.4 crore in FY2016 supported by the increase in sales of industrial and domestic water purifiers as well as government tendered projects. Operations of Hi-Tech are working capital intensive nature due to high inventory holding requirement which has resulted in almost full utilisation of cash credit facilities. With high working capital debt, Hi-Tech has high gearing levels of 1.8 times as on FY2016 end and moderate coverage indicators reflected by interest coverage of 2.0 times for FY2016. The profitability of the company is vulnerable to adverse fluctuations in raw material (LDPE/PP granules) prices which are crude oil derivate. The company also has low bargaining power with major suppliers as indicated by low credit period availed from suppliers. Import consists of ~40% of raw material requirement, hence the margins remains vulnerable to foreign exchange fluctuations. The company faces high competitive pressure from organised players in domestic water purifier segment as well as from unorganised players in commercial and industrial water purifier segment.

**Analytical approach:** Not Applicable

### Links to applicable Criteria

Corporate Credit Rating –A Note on Methodology

<http://www.icra.in/Files/Articles/2009-October-Rating-Corp-Rating-Methodology.pdf>

### About the Company:

Surat-based Hi-Tech Sweet Water Technologies Private Limited (Hi-tech) manufactures commercial, domestic, and industrial Reverse Osmosis (RO) based water purification systems. Hi-Tech was incorporated in January, 2000, and is located at Bardoli near Surat (Gujarat) and is managed by Mr. Vijay Shah. The company manufactures packaged water treatment systems for ground, bore well, well, river and tap water applications in standard capacities of potable water production, with and without UV attachment, softener and water vending machines in various capacity. Before owning this manufacturing unit, Mr. Shah was involved in trading of imported RO-based water treatment plants from USA.

Hi-Tech recorded a net profit of Rs. 5.7 crore on an operating income of Rs. 287.4 crore for FY2016 against a net profit of Rs. 5.5 crore on an operating income of Rs. 247.2 crore in FY2015. For 6MFY2017, Hi-Tech recorded sales of Rs. 157.0 crore with profit before tax of Rs. 7.5 crore.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**

**Table: Rating History**

S.No	Name of Instrument	Current Rating (2017)			Chronology of Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crores)	Date & Rating	Date & Rating in FY2016	Date & Rating in FY2015	Date & Rating in FY2014
				January 2017	-	-	-
1	Cash Credit	Long Term	70.00	[ICRA]BB+ (Stable)	-	-	-
2	Term Loans	Long Term	4.79	[ICRA]BB+ (Stable)	-	-	-
3	Bank Guarantee	Short Term	20.00	[ICRA]A4+	-	-	-
4	Letter of Credit	Short Term	10.00	[ICRA]A4+	-	-	-

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1

### Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash Credit	February 2016	-	June 2022	70.00	[ICRA]BB+ (Stable)
Term Loan	-	-	-	4.79	[ICRA]BB+ (Stable)
Bank Guarantee	-	-	-	20.00	[ICRA]A4+
Letter of Credit	-	-	-	10.00	[ICRA]A4+

### Contact Details

#### Analyst Contacts

**Subrata Ray**  
+91 22 2433 1086  
[subrata@icraindia.com](mailto:subrata@icraindia.com)

**Suprio Banerjee**  
+91 22 6114 3443  
[supriob@icraindia.com](mailto:supriob@icraindia.com)

#### Ravish Mehta

+91 79 4027 1522  
[ravish.mehta@icraindia.com](mailto:ravish.mehta@icraindia.com)

#### Relationship Contact

**Jayanta Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. For more information, visit [www.icra.in](http://www.icra.in)

© Copyright, 2017, ICRA Limited. All Rights Reserved  
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500