

Press Release

Aqua Machineries Private Limited

October 24, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 32.50 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs.32.50 crore bank facilities of Aqua Machineries Private Limited (AMPL). The outlook is '**Stable**'.

The Gujarat based, Aqua Machineries Private Limited (AMPL) was incorporated in 1984 by Mrs. Kalandiben Patel, Mr. Abhinay Patel and Mr. Niral Patel. The company is engaged in manufacturing of industrial pumps and also undertakes design, engineering, installation and commissioning of various water management projects. The company has an installed capacity of manufacturing 3000 pumps per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Aqua Machineries Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

AMPL is primarily engaged in manufacturing of industrial pumps and also undertakes design, engineering, installation and commissioning of various water management projects for Government of India and companies such as L&T, Kirloskar Brothers to name a few for the past two decades and has a long track record of executing projects. The promoters of the company have experience of over two decades in the aforementioned business.

The revenues of AMPL improved to Rs.65.36 crore in FY2018 from Rs.52.09 crore in FY2017. Further, in FY2019 the company has registered revenues of ~Rs.48.00 crore during April-August 2018. AMPL has healthy executable order book position of Rs.33.80 crore as on August, 2018 which gives the revenue visibility in the near term.

Acuité believes AMPL to continue benefit from its established presence in the industrial pumps segment.

- **Above average financial risk profile**

AMPL has above average financial risk profile marked by tangible net worth of Rs.29.70 crore as on 31 March, 2018 as against Rs.26.22 crore as on 31 March, 2017. The gearing (debt-equity) stood at 0.61 times as on 31 March, 2018 as against 0.51 times as on 31 March, 2017. The debt of Rs.18.15 crore mainly consists of term loan of Rs.2.94 crore, unsecured loan of Rs.2.28 crore and short term debt of Rs.12.93 crore as on 31 March 2018. Interest Coverage Ratio (ICR) stood at 5.66 times for FY2018 as against 6.67 times for FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.56 times as on 31 March 2018 as against 1.48 times as on 31 March 2017.

Going forward, Acuité expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

Weaknesses

- **Intensive working capital operations**

AMPL's working capital operations are intensive marked by Gross Current Assets (GCA) of 283 days in FY2018 compared to 302 days in FY2017. The GCA days are dominated by debtor days of 142 in FY2018. The working capital intensity is further reflected from the high utilisation of ~90 percent of its working capital facilities for past six months ended August 2018. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Competitive industry**

AMPL is engaged as manufacturer of industrial pumps and provides an integrated water management services. This particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sector. Further, the revenue of AMPL are dependent on the number of successful bids and the tenders being released in the financial year. However, this risk is mitigated to an extent as the management has been operating in this environment for last two decades.

Outlook: Stable

Acuité believes that AMPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or profit margins, or in case of deterioration in the financial risk profile, liquidity position and delay in completion of projects.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	65.36	52.09	71.66
EBITDA	Rs. Cr.	9.52	6.36	8.03
PAT	Rs. Cr.	3.48	3.33	4.75
EBITDA Margin (%)		14.56	12.21	11.21
PAT Margin (%)		5.32	6.39	6.63
ROCE (%)		15.90	15.28	22.03
Total Debt/Tangible Net Worth	Times	0.61	0.51	0.61
PBDIT/Interest	Times	5.66	6.67	9.14
Total Debt/PBDIT	Times	1.85	1.91	1.68
Gross Current Assets (Days)	Days	283	303	241

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

CRISIL, vide its press release dated June 22, 2018 had denoted the rating of Aqua Machineries Private Limited as 'CRISIL BB+/ Stable/ CRISIL A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3

*The Cash Credit (CC) facility of Rs.9.00 crore has a sublimit of Letter of Credit (LC) to the extent of Rs.4.50 crore and Bills of exchange (BE) to the extent of Rs.4.50crore

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About Acuité Ratings & Research:

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