

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

Acuite 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

Acuite 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.

Acuite 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, Acuite 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. Acuite 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

Acuite 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

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Aditi Ashwin Shah Analyst - Rating Operations Tel: 02249294063 Aditi.Shah@acuiteinratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.