

Press Release

Aqua Machineries Private Limited

July 25, 2019

Rating Reaffirmed



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 reaffirmed long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and short term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs. 32.50 crore bank facilities of AQUA MACHINERIES PRIVATE LIMITED (AMPL). The outlook is 'Stable'.

Gujarat based, Aqua Machineries Private Limited (AMPL) was incorporated in 1984 by Late Mr. Jayantibhai Patel. Currently, the Directors of the company are Mr. Abhinaya J. Patel (Managing Director), Mrs. Kalindiben J. Patel and Mrs. Nirali A. 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 with ~70 percent utilization.

Analytical Approach

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

Key Rating Drivers

Strengths

- Established track record of operations along with reputed clientele
AMPL was incorporated in 1984 as a private limited company, thus the company has an operational track record of over three decades in the industrial pumps industry. The Directors of the company have experience of around three decades in the aforementioned line of business. The long track record of operations and experience of management have helped the company maintain healthy order book position of Rs. 50.28 crore (Rs. 21.58 crore orders for manufacturing of pumps and remaining Rs. 28.70 crore for EPC contracts for water management projects), thereby giving a revenue visibility over near to medium term. Further, the company caters to reputed clientele such as Bharat Heavy Electricals Limited (BHEL), Larsen & Toubro (L&T) and National Thermal Power Corporation Limited (NTPC Limited) to name a few. Acuite believes that AMPL will sustain its existing business profile on the back of established track record of operations and experienced management.
- Consistent growth in revenues
The revenues of AMPL has grown at a CAGR of 34 percent for the period FY2017-FY2019 (Provisional). The revenues stood at Rs. 93.35 crore in FY2019 (Provisional) as against Rs. 52.09 crore in FY2017. This is mainly on account of increased orders and increased tender allocation from government. However, Acuite believes the revenues are expected to improve in near to medium backed by healthy order book position of Rs. 50.28 crore.
- Moderate financial risk profile
The financial risk profile of the company stood moderate marked by moderate net worth, debt protection metrics and coverage indicators. The net worth of AMPL stood at Rs. 36.20 crore (includes quasi equity of Rs. 2.53 crore) as on 31 March, 2019 (Provisional) as against Rs. 31.98 crore (includes Rs. 2.28 crore of quasi equity) as on 31 March, 2018. The gearing (debt-equity) stood at 0.43 times as on 31 March, 2019 (Provisional) as against 0.50 times as on 31 March, 2018. The total debt of Rs. 15.65 crore as on 31 March, 2019 (Provisional) mainly comprises Rs. 13.44 crore of working capital borrowings, Rs. 0.18 crore of unsecured loans and Rs. 2.03 crore of long term debt. The coverage

indicators stood moderate marked by Interest Coverage Ratio (ICR) which stood at 5.62 times for FY2019 (Provisional) as against 5.66 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.38 times in FY2019 (Provisional) and 0.40 times in FY2018. Debt to EBITDA stood at 1.73 times for FY2019 (Provisional) as against 1.62 times for FY2018. Acuite believes that the financial risk profile of the company is expected to remain moderate backed by moderate net cash accruals and in the absence of any major debt funded capex in near to medium term.

Weaknesses

- Moderate working capital operations

The company has moderate working capital nature of operations marked by Gross Current Assets (GCA) of 189 days for FY2019 (Provisional), which has improved from 283 days for FY2018. The debtors declined to 96 days for FY2019 (Provisional) from 142 days for FY2018. The inventory level stood at 81 days for FY2019 (Provisional) as against 106 days for FY2018. However, the average bank limit utilization stood at ~78.78 percent for past six months ended June 2019. Acuite believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

- Highly competitive and fragmented nature of industry

AMPL operates in a highly fragmented industry with large number of organized and unorganized players present in the market.

Liquidity Position

AMPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 5.97 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 1.03 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 6.50 crore to Rs. 9.00 crore during 2020-22 against no major repayment obligation for the same period. The company has working capital intensive operations as marked by high GCA days of 189 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.82 crore as on March 31, 2019 (Provisional). The current ratio stood at 1.27 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable

Acuite believes that AMPL will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the company registers higher- than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	93.35	65.36	52.09
EBITDA	Rs. Cr.	8.90	9.52	6.36
PAT	Rs. Cr.	3.01	3.48	3.33
EBITDA Margin	(%)	9.53	14.56	12.21
PAT Margin	(%)	3.22	5.32	6.39
ROCE	(%)	12.24	15.90	15.28
Total Debt/Tangible Net Worth	Times	0.43	0.50	0.40
PBDIT/Interest	Times	5.62	5.66	6.67
Total Debt/PBDIT	Times	1.73	1.62	1.61
Gross Current Assets (Days)	Days	189	283	302

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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. Cr.)	Ratings/Outlook
24-Oct-2018	Term Loan	Long Term	3.50	ACUITE BBB- / Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB- / Stable (Assigned)

*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	12.77*	ACUITE BBB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.73	ACUITE BBB- / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A3 (Reaffirmed)

*The Cash Credit (CC) facility includes sublimit of ODBD to the extent of Rs. 9.00 crore and Bills of exchange (BE) to the extent of Rs. 3.00 crore.

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About Acuite Ratings & Research:

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