

Press Release

Aqua Machineries Private Limited

December 22, 2021

Rating Reaffirmed



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---------------------------------|------------------|-----------------------------------|------------------------|
| Bank Ratings Loan | 18.00 | | ACUITE A3 Reaffirmed |
| Bank Ratings Loan | 20.50 | ACUITE BBB- Stable Reaffirmed | |
| Total | 38.50 | - | - |

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.38.50 crore bank facilities of Aqua Machineries Private Limited (AMPL). The outlook is 'Stable'.

Rationale for rating reaffirmation

The rating reaffirmation reflects sustained operations and profitability for FY2021, moderate financial risk profile, adequate liquidity position, extensive experience of promoters and reputed clientele. The rating factors in comfort derived by order book position of Rs. 63.60 Cr. Moreover, The company has achieved turnover of Rs. 42.23 crore for 6MFY2022. Also, the company has expanded their business by constructing new adjoining shed and procure new machineries to start manufacturing of HT motors and also the company has acquired Intellectual Property Rights (IPR) of M/s. Pullen Pump Industries Pvt. Ltd. , a pump manufacturing company which further adds comfort on revenue and margins . Additionally, the company has expanded its installed capacity from 3,000 pumps p.a. to 4,000 pumps p.a. .On the contrary, the firm operates in working capital intensive industry and the profitability is susceptible to fluctuations in raw material prices.

About the Company

Gujarat based, AMPL was incorporated in 1984 and is engaged in the manufacturing of various industrial pumps and submersible pumps and also undertakes design, engineering, installation and commissioning of various water management projects. The company is promoted by Mrs. Kalindiben J. Patel, Mr. Abhinay J. Patel and Mrs. Nirali A. Patel, who have over three decades of experience in this industry

Analytical Approach

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

Key Rating Drivers

Strengths

Experience of promoters and established track record of operations along with reputed clientele

AMPL, promoted by Mrs. Kalindiben J. Patel, Mr. Abhinay J. Patel and Mrs. Nirali A. Patel have over three decades of experience in the said line of business. The extensive experience, coupled with a long track record of operations, has enabled the company to forge healthy

relationships with customers and suppliers. 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. The company has increased the installed capacity to 4000 pumps per annum in FY2022. The installed capacity utilization stood around ~75% resulting in revenue of Rs. 101.49 Cr in FY2021 against Rs.70.37 Cr in the previous year. Currently, in 6MFY2021, the company has received a healthy order book of Rs. 63.60 Cr. Acuité believes that the business is expected to benefit from its established presence in the aforementioned industry and the director's demonstrated ability.

Moderate Financial Risk Profile

AMPL's financial risk profile is moderate marked by moderate gearing (debt to equity ratio), total outside liabilities to total net worth (TOL/TNW), and debt protection metrics. The gearing stood moderate at 0.58 times for FY2021. TOL/TNW is at 1.93 times for FY2021 as against 1.49 times for FY2020. Tangible net worth of the company stood modest at Rs.37.82 crore for FY2021 as against Rs.35.00 crore for FY2020. Of the total debt of Rs.22.06 crore for FY2021, short-term debt stood at Rs.12.38 crore, unsecured loans from directors / promoters stood at Rs.2.81 crore and long term debt of Rs. 6.86 Cr. Debt protection metrics of interest coverage ratio and net cash accruals to total debt are at 4.96 times and 0.29 times respectively for FY2021. DSCR stood improved at 4.42 times for FY2021 as against 3.90 times for FY2020. Acuité believes that the financial risk profile of the company is expected to remain moderate backed by moderate net cash accruals of about Rs.6.26 crore for FY2021 vis- à-vis moderate debt repayment obligations and moderate debt protection metrics.

Weaknesses

Working capital intensive operations

The company's operations are highly working capital intensive as highlighted by GCA days. However, the GCA days improved to 294 days in FY2021 against 330 days in FY2020. This is majorly driven by high inventory holding period of 149 days in FY2021 against 185 days in FY2020. This is due to Rs.20 Cr of their finished goods got rolled over to FY2022 due to market slowdown and COVID-19 pandemic. Out of 20 Cr, 6-7 Cr is already sold from June, 2021 to Aug, 2021. Further, the inventory holding policy followed by the company is generally 2 to 4 months to meet immediate orders of the customers. The collection cycle of is mainly in the range of 0 to 100 days as reflected by 113 days of receivables days in FY2021. The creditor days of the company are reported at 201 days in FY2021 against 219 days in FY2020. High creditors are due to long relationship with their suppliers for more than 2 decades and there is no interest on the same.

Rating Sensitivities

>Any stretch in working capital operations leading to a deterioration in its financial risk profile and liquidity.

>Company's ability to grow its topline while maintaining or improving the profitability and liquidity position

Material covenants

None

Liquidity Position: Adequate

AMPL has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs.6.26 Cr in FY2021 against Rs. 1.13 Cr repayment obligations for the same period. Going forward the net cash accruals are expected to be in the range of Rs.7.47 Cr to Rs.8.70 Cr against debt obligations in the range of Rs. 1.81 Cr to Rs.2.96 Cr through FY2022 to FY2024. The working capital limits were utilized at 72 percent through 6 months ended October, 2021. The current ratio stood at 1.27 times as on 31st March, 2021. Unencumbered cash and bank balances stood at Rs.0.28 Cr as on 31st March, 2021..

Outlook: Stable

Acuité believes that AMPL will maintain 'Stable' outlook in the medium term on account of a

long track record of operations, experienced management and reputed clientele. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenues and profitability while maintaining its liquidity position. Conversely, the outlook maybe revised to 'Negative' in case the firm registers lower than expected growth in revenues and profitability or in case of any significant withdrawal of capital and stretch in its working capital management leading to a deterioration of its financial risk profile and liquidity.

Key Financials

| Particulars | Unit | FY 21 (Actual) | FY 20 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 101.49 | 70.37 |
| PAT | Rs. Cr. | 2.81 | 1.76 |
| PAT Margin | (%) | 2.77 | 2.50 |
| Total Debt/Tangible Net Worth | Times | 0.58 | 0.41 |
| PBDIT/Interest | Times | 4.96 | 4.55 |

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|-----------------------------------|
| 23 Sep 2020 | Bank Guarantee | Short Term | 16.00 | ACUITE A3 (Reaffirmed) |
| | Cash Credit | Long Term | 13.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 1.73 | ACUITE BBB- (Withdrawn) |
| | Term Loan | Long Term | 4.50 | ACUITE BBB- Stable (Assigned) |
| | Letter of Credit | Short Term | 2.00 | ACUITE A3 (Reaffirmed) |
| 25 Jul 2019 | Cash Credit | Long Term | 12.77 | ACUITE BBB- Stable (Reaffirmed) |
| | Letter of Credit | Short term | 2.00 | ACUITE A3 (Reaffirmed) |
| | Bank Guarantee | Short term | 16.00 | ACUITE A3 (Reaffirmed) |
| | Term Loan | Long Term | 1.73 | ACUITE BBB- Stable (Reaffirmed) |
| 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

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Initial Quantum (Rs. Cr.) | Quantum (Rs. Cr.) | Rating |
|---------------|----------------|------------------------------------|------------------|----------------|----------------|---------------------------|-------------------|--|
| Canara Bank | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 16.00 | 16.00 | ACUITE A3 Reaffirmed |
| Canara Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 13.00 | 15.00 | ACUITE BBB- Stable Reaffirmed |
| Canara Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 2.00 | 2.00 | ACUITE A3 Reaffirmed |
| Canara Bank | Not Applicable | Term Loan | Not available | Not available | Not available | 4.50 | 5.50 | ACUITE BBB- Stable Reaffirmed |

Contacts

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About Acuité Ratings & Research

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