

Press Release

Aqua Machineries Private Limited

March 21, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	28.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	10.50	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	38.50	-	-

Rating Rationale

Acuite has reaffirmed its 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 Reaffirmation

The rating reaffirmation considers the stable operating performance of AMPL marked by stable operating income, range bound profitability levels and moderate financial risk profile. The operating income stood at Rs.103.67 crore in FY2022 against Rs.101.45 crore in FY2021. In 11MFY2023, revenue stood at Rs.125.80 crore and is expected to close the year in the range of Rs.145-155 crore. The revenues stood range bound in FY2022 on account of the effects of Covid-19 pandemic during the first quarter of FY2022. The improvement noted in FY2023 is on account of increased number of orders and higher price realisation.

The company is undergoing an ongoing capex since April 2020, which has increased its installed manufacturing capacity to 4000 pumps p.a in FY2023 from 3000 pumps p.a in FY21. It is further expected to increase the installed capacity to 5000 pumps p.a during FY2024. The financial risk profile slightly moderated in FY2022, on account of increased debt, and is expected to remain the same in the near to medium term on account of further expected debt funded capex.

Going forward, AMPL's ability to improve its scale of operations and profitability levels commensurate with the capex undertaken while maintaining its capital structure and restricting elongations in its working capital cycle will remain a key rating monitorable.

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. Abhinav 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. Currently as of February 2023, AMPL has an unexecuted order book of Rs.127 crore of which Rs.25-30 crore is expected to be executed in the current financial year and the rest by H1FY2024. Acuite believes that the business is expected to benefit from its established presence in the 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 0.62 times as of March 31, 2022, compared with 0.58 times as of March 31, 2021. Gearing is expected to further moderate slightly on account of debt funded capex planned. The TOL/TNW of the company slightly improved to 1.86 times in FY2022 from 1.93 times in FY21. The company's net worth stood at Rs. 40.84 crore as of March 31, 2022, compared to Rs. 37.82 crore as of March 31, 2021. Of the total debt of Rs.25.22 crore, long term debt stood at Rs.8.18 crore and short term debt stood at Rs.14.38 crore and unsecured loan of Rs.2.22 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood at 4.64 times and 0.27 times in FY2022 against 4.96 times and 0.28 times in FY2021 respectively. DSCR deteriorated to 1.98 times in FY2022 against 4.31 times in FY2021.

Acuite believes AMPL is expected to maintain its financial position at moderate levels over the near to medium term.

Stable operating performance

AMPL's operating revenue stood at Rs.103.67 crore in FY2022 as against Rs.101.45 crore in FY2021. The revenue in FY2022 maintained FY2021 levels due the impact of covid-19 pandemic on orders during the first quarter of FY2022. In 11MFY2023, revenue stood at Rs.125.80 crore and is expected to close the year in the range of Rs.145-155 crore. In the current financial year, the revenue growth is driven by increase price realisations and number of orders. The operating margins were range bound and stood at 8.78 percent in FY2022 against 8.26 percent in FY2021. The net profit margin stood at 2.99 percent in FY2022 against 2.77 percent in FY2021. Acuite believes that the revenue is expected to improve due to increasing manufacturing capacity on account of ongoing capex.

Weaknesses

Working Capital Intensive Operations

AMPL's operations are highly working capital intensive as highlighted by the GCA days. The GCA days stood at 288 days in FY2022 against 284 days in FY2021. This is majorly driven by high inventory holding period of 152 days in FY2022 against 149 days in FY2021. The receivable days stood at 133 days in FY2022 against 131 days in FY2021. The credit period extended to customers is usually in the range of 2-4 months. The creditor days stood at 233 days in FY2022 against 201 days in FY2021. The company is able to stretch its payables on account of long standing relationship with their suppliers. Acuite believes GCA days are expected to remain intensive over the medium term.

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 revenue while maintaining or improving the profitability and liquidity position.

Material covenants

None

Liquidity Position

Adequate

AMPL has adequate liquidity marked by sufficient net cash accruals against maturing debt obligations. The company has generated cash accruals of Rs.6.93 crore in FY2022 against Rs. 2.40 crore repayment obligation. The company is expected to generate net cash accruals in the range of Rs.9-13 crore in the period FY23 & FY24 against repayment obligation in the range of Rs.1.82-1.90 crore. The GCA days stood at 288 days in FY2022 against 284 days in FY2021. The average fund-based bank utilisation was high at ~ 84.48 percent for the last 9 months ending December 2022 and non-fund based limit utilisation of ~ 73.24 percent during the same period. The unencumbered cash and bank balances stood at 0.1 crore as on March 31,2022. The current ratio stood average at 1.21 times in FY2022 against 1.20 times in FY2021. Acuite believes that the liquidity of AMPL will remain adequate over the medium term.

Outlook: Stable

Acuite 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 and registers a stretch in its working capital management leading to a deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	103.67	101.45
PAT	Rs. Cr.	3.10	2.81
PAT Margin	(%)	2.99	2.77
Total Debt/Tangible Net Worth	Times	0.62	0.58
PBDIT/Interest	Times	4.64	4.96

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

Crisil vide its press release dated 21.02.2022, had rated the company to Crisil B+/A4;INC

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisa"on of the instruments across the three categories is based on factors like variability of the returns to

the investors, uncertainty in cash flow patterns, number of counterparts and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Dec 2021	Bank Guarantee	Short Term	16.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	5.50	ACUITE BBB- Stable (Reaffirmed)
23 Sep 2020	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	10.50	ACUITE A3 Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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