



Press Release
Aqua Machineries Private Limited
June 18, 2024
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 takes into consideration, AMPL's improved operating revenues and stable financial risk profile. The revenue of the company grew by ~46% in FY2023 to Rs.151.06 Cr. from Rs.103.66 Cr. in FY2022. It is further estimated to grow to Rs.180.36 Cr. in FY2024. The growth in revenue is from increased installed capacity and a higher utilisation rate. The rating is further supported by unexecuted order book position of Rs.101 Cr. as of April 2024, executable over 3-5 months, reflecting revenue visibility over the near term.

Further, the financial risk profile continues to remain stable with moderate net worth, debt coverage indicators and low gearing levels.

However, the rating is constrained by intensive nature of working capital operations and intense competition due to the company's presence in a highly fragmented industry with several unorganised players.

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.

Unsupported Rating

Not Applicable

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. Acuité believes that the business is expected to benefit from its established presence in the industry and the director's demonstrated ability.

Improved operating revenues and profitability levels

The revenue of Aqua Machineries Private Limited (AMPL) has grown by 45.73% in FY2023 to Rs.151.05 Cr. from Rs.103.66 Cr. in FY2022. Further, it is estimated to clock revenue of Rs.180.36 Cr. in FY2024. The growth in revenues is attributable to increase in absolute manufacturing capacity to 4000 pumps p.a in FY2023 and FY2024 along with increased utilisation levels. The capacity utilisation levels stood at around 80% in FY2024 and 73% in FY2023. The company has an outstanding order book position of Rs.101 Cr. as of 30/04/2024, which is executable in 3-5 months' time period.

Further, the operating profit margins stood at 9.07% in FY2023 against 8.78% in FY2022. It is further estimated to improve marginally in FY2024.

Acuite believes that the revenue is expected to improve due to increasing manufacturing capacity on account of ongoing capex.

Moderate financial risk profile

The company's financial risk is moderate marked by moderate net worth, debt coverage indicators and low gearing levels.

The company's net worth stood at Rs. 45.31 Cr. as of March 31, 2023, compared to Rs. 40.84 Cr. as of March 31, 2022. Total debt stood at Rs. 39.08 Cr. in FY 2023 against Rs. 25.22 Cr. in FY 2022. The debt of Rs.39.08 Cr. comprises long-term loan of Rs.6.93 Cr. , short-term debt of Rs.27.64 Cr. and Rs.4.51 Cr. of unsecured loans from directors and promoters. The debt-to-equity ratio of the company moderated marginally at 0.86 times as of March 31, 2023, compared with 0.62 times as of March 31, 2022. Further, it expected to increase primarily on account of increase in short term debt levels and some increase in long term borrowings. The TOL/TNW of the company stood at 2.00 times in FY2023 against 1.86 times in FY2022. Further, the coverage indicators for the company remained moderate. ICR stood at 4.27 times in FY2023 against 4.65 times in FY2022. The DSCR stood at 1.83 times in FY2023 against 1.99 times in FY2022. Going forward, the company is expected to maintain its financial risk profile at moderate levels over the medium term on account of expected steady accruals.

Weaknesses

Working capital intensive operations

AMPL's working capital operations are intensive in nature. The GCA stood at 232 days in FY2023 against 288 days in FY2022. This is primarily driven by high inventory days of 106 days in FY2023 against 152 days in FY2022. The company usually keeps inventory for 3–4 months. The receivable days stood at 125 days in FY2023 against 133 days in FY2022. The credit period extended is usually between 2-4 months. The creditor days of the company stood at 153 days in FY2023 against 233 days in FY2022. Going forward, the GCA days are expected to remain in the similar levels over medium term.

Rating Sensitivities

- Significant elongation in working capital operations leading to a deterioration in its financial risk profile and liquidity.
- Company's ability to grow its revenue while maintaining the profitability and liquidity position.
- Improvement in the financial risk profile.

Liquidity Position

Adequate

AMPL has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs.8.88 Cr. in FY2023 against Rs.4.39

Cr. repayment obligation. The fund-based bank limit utilisation stood high at ~ 85 percent for the last 6 months ending May 2024 and non-fund based limit utilisation at 52 percent during the same period.

The cash accruals of AMPL are estimated to be in the range of Rs.11.14- Rs.12.84 Cr. during FY2025 & FY2026 against repayment obligation of ~Rs.3.13-Rs.2.80 Cr. during the same period. Acuite expects the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals against debt repayment obligations and availability of buffer in the form of unutilised working capital limits.

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, reputed clientele and moderate order book position reflecting revenue visibility in the near term. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenues and profitability while maintaining its liquidity position and improving the financial risk profile. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	151.06	103.66
PAT	Rs. Cr.	4.47	3.10
PAT Margin	(%)	2.96	2.99
Total Debt/Tangible Net Worth	Times	0.86	0.62
PBDIT/Interest	Times	4.27	4.65

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-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation 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
21 Mar 2023	Bank Guarantee/Letter of Guarantee	Short Term	10.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	21.00	ACUITE BBB- Stable (Reaffirmed)
22 Dec 2021	Bank Guarantee/Letter of Guarantee	Short Term	16.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.50	ACUITE BBB- Stable (Reaffirmed)

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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.50	ACUITE A3 Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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