Rating Rationale

Brickwork Ratings assigns 'BWR BBB-' & 'BWR A3' for the Bank Loan Facilities aggregating ₹ 67 Cr of Aqua Designs India Private Limited

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for Bank Loan facilities sanctioned by *State Bank of India* to Aqua Designs India Private Limited *(ADIPL or the 'Company').*

Facility		Amount (₹ Cr)	Tenure	Rating
Fund Based **Cash Credit**	*Existing Limit*	27.00	**Long Term**	**BWR BBB -** (BWR Triple B Minus) **Outlook: Stable**
Non Fund Based **Bank Guarantee**	*Existing Limit*	40.00	**Short Term**	**BWR A3** (BWR A Three)
Total		**67.00**	**INR Sixty Seven Crores only**	

Note: Letter of Credit to the extent of Rs8 Cr is a sub-limit of Bank Guarantee
There is 25% interchangeability from BG to CC

BWR has relied upon the audited financial results of ADIPL up to FY13, provisional financial statements of FY14 and projected financial statements up to FY16, publicly available information, information/clarifications provided by the Company.

The ratings reflect the promoters' experience in the Waste Water Treatment industry, impressive client profile – many of them in Government/Public Sector, good tangible net worth, low gearing, and healthy order-book. However, the ratings are constrained by tender based nature of business which could affect profitability, and significantly high receivables position, affecting liquidity of the company.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

Background:

ADIPL was set up at Chennai in July 2002 as a proprietorship firm by Mr. S Suthakar, an Engineer; this firm was reconstituted as a private limited company in December 2002 and as a closely held public limited company in 2006. In May 2010, following the private equity infusion by Peepul Capital, ADIPL was again reconstituted as a private limited company. Currently, 53.76% of the shares are held by Peepul Capital Fund II LLC and 5.38% by Chintalapati Holdings Private Limited.

The Company provides water solutions for Institutions, Industries, Municipal Authorities, Commercial & Public properties. The customers include Power Stations, Refineries, IT Parks, and companies in Food & Beverage, Automobile, Petro-chemical, Pharmaceuticals, Textiles, Oil & Gas, Leather & Tannery, Metal Refining, industry.

Nearly 92% of the revenue is earned from execution of projects and the rest from sale of spares and other miscellaneous activities. Nearly 60% revenue is contributed by the Government/PSU Sector, directly or indirectly. Growth in business is primarily due to government orders. This is reflected in the order intake for FY14.

Management Profile:

Mr. Suthakar, the main promoter, is the Managing Director. Additionally, Peepul Capital Fund II LLC has nominated three directors who have several years of experience in reputed global corporations.

Financial Performance:

As per the provisional financial statements of ADIPL, the Company's total operating income increased from Rs.110.06 Cr in FY13 to Rs.120.01 Cr in FY14. EBIDTA increased from Rs.9.70 Cr in FY13 to Rs.12.10 Cr in FY14. PAT increased from Rs.3.03 Cr in FY13 to Rs.4.84 Cr in FY14.

Tangible Net worth increased from Rs.65.81 Cr in FY13 to Rs.70.70 Cr in FY14 due to retention of earnings. The company has no long term borrowings, and avails fund based and non-fund based working capital facilities from their banker. Gearing is low. Stretched Receivables is an area of concern, and as of 31st March 2014, the outstanding receivables were as high as Rs.123.26 Cr, out of which Rs.25.57 Cr were outstanding for more than 6 months.

The company has explained that this is in the nature of business as they mainly deal with government departments/PSUs. Consequently, the company also pays its suppliers with considerable delay.

Rating Outlook:

Given environmental concerns, waste water treatment industry is expected to have good growth potential. Outlook for the Company is expected to be stable over the next twelve months, based on the current order-book. The Company's ability to implement projects in a timely manner, negotiate good payment terms, and improve collections thereby shortening its working capital cycle, will be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	**Media Contact**
1-860-425-2742	media@brickworkratings.com