

RATING RATIONALE

13 Apr 2020

Aquatech Infra Projects Pvt Ltd

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹.10.00 Crores of Aquatech Infra Projects Pvt Ltd

Particulars:

Facility Rated	Amount (₹. Cr)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2019)	Present
Fund Based (FB)					
Cash Credit	1.00	1.00	Long Term	BWR BB+ (Stable)	BWR BB+ (Stable) (Reaffirmed)
Non Fund Based (NFB)					
Bank Guarantee	9.00	9.00	Short Term	BWR A4+	BWR A4+ (Reaffirmed)
Total Limits	10.00	10.00	(INR Ten Crores Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I&II

RATING ACTION / OUTLOOK

Reaffirmation of the long term rating at BWR BB+ (Stable), and short term rating at BWR A4+. BWR believes that Aquatech Infra Projects Pvt Ltd. business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

KEY RATING DRIVERS

BWR has principally relied upon the audited financials upto FY19 and projections up to FY21, publicly available information and information/ clarifications provided by the management.

The reaffirmation of rating takes into account the experience of the promoters, moderate gearing and coverage ratios. However, the rating is constrained by low scale of operations, low level of tangible net worth, weak liquidity profile, stretched working capital cycle and tender based nature of business.

Going forward the ability of the company to accelerate its scale of operations, maintain its profit margins, Compliance of Bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities.

Credit Strengths:

- Extensive experience of the promoters.
- Moderate gearing with the total debt/ TNW standing at 0.18x.
- Moderate coverage ratios with declined ISCR standing at 2.57x in FY19 as compared to 4.71x in FY18 & DSCR standing at 1.89x in FY19 against 1.68x in FY18.
- Moderate profitability margins with declined OPM at 4.49% in FY19 as compared to 6.63% in FY18 and NPM at 4.17% in FY19 against 3.75% in FY18.

Credit Risks:

- Low scale of operations with declined TOI standing at Rs 24.79 cr in FY19 as compared to Rs.26.91 Cr in FY18.
- Low levels of TNW at Rs 8.55 Cr in FY19.
- Weak liquidity profile with the current ratio standing at 1.25x in FY19 as compared to 1.53x in FY18.
- Stretched working capital cycle due to high receivable and payable days.
- Tender Based nature of Business: There is always uncertainty regarding outcome of tender due to unavailability of information from rival bidders. Technical errors and different interpretations of legal documents also affect outcome. Cost escalation/ overrun on account of delay in projects do hamper the outcome.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward the ability of the company to accelerate its scale of operations, maintain its profit margins, Compliance of Bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities.

Positive: Rating may be upgraded in case of substantial improvement in revenues from level of Rs.24.79 crs achieved in FY19 along with similar increase in the profit margins.

Negative: Rating may be downgraded in case revenues, profitability, gearing and debt service coverage ratio weaken further.

LIQUIDITY POSITION

The average CC utilization in the last 6 months is 95.05%. The company has cash and cash equivalents amounting to Rs 0.61 Cr in FY19. The current ratio of the company stands at 1.25x in FY19 and AIPPL has no term debt liability.

COMPANY PROFILE

M/s. Aquatech Infra Projects Private Limited (AIPPL) was incorporated on 21st March 2013 by Mr. Suhas Joshi. It is a Pune based closely held Private Limited Company. AIPPL is engaged in the business of setting up, operating and maintaining infrastructure projects like Underground Drainage System including Sewage Treatment Plants, Effluent Treatment Plant, Sewage Pumping Stations, Underground Drainage Network, etc. AIPPL mainly utilizes Cyclic Activated Sludge Treatment (C-Tech) technology.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Total Operating Income	₹ Cr	24.79	26.91
EBITDA	₹ Cr	1.11	1.78
PAT	₹ Cr	1.03	1.01
Tangible Net worth	₹ Cr	8.55	7.51
Total Debt/Tangible Net worth	Times	0.18	0.59
Current Ratio	Times	1.25	1.53

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY

RATING HISTORY

Instrument / Facilities	Current Rating (2020)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	14.03.2019	2018	05.10.2017
Fund Based	Long Term	1.00	BWR BB+ (Stable) (Reaffirmed)	BWR BB+ (Stable)	–	BWR BB+ (Stable)
Non Fund Based	Short Term	9.00	BWR A4+ (Reaffirmed)	BWR A4+	–	BWR A4+
Total		10.00	(INR Ten Crores Only)			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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Aquatech Infra Projects Pvt Ltd

Annexure-I

Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facility	Long Term [Rs. Crs]	Short Term [Rs. Crs]	Total [Rs. Crs]
1	Bank of Maharashtra	Cash Credit	1.00	–	1.00
2		Bank Guarantee	–	9.00	9.00
Total	(INR Ten Crores Only)				10.00

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