



RATING RATIONALE

10 May 2021

Aquatech Solutions Private Limited

Brickwork Ratings reaffirms the Ratings for Bank Loan Facilities of ₹ 40.90 Crores of Aquatech Solutions Private Limited

Particulars

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (28th, January, 2020)	Present
Fund Based	22.00	32.90	Long Term	BWR BBB- (Stable)	BWR BBB- (Stable) [Reaffirmation]
Non-Fund Based	8.00	8.00	Short Term	BWR A3	BWR A3 [Reaffirmation]
Total	30.00	40.90	INR Forty Crores & Ninety Lakhs Only		

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

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

RATING ACTION : Long Term & Short Term Ratings reaffirmed at BWR BBB-(Stable)/A4

Brickwork Ratings (BWR) has essentially relied on the audited financial statements of Aquatech Solutions Private Limited (ASPL or the company) up to FY20, provisional FY21, projections upto FY22 publicly available information, and information/clarifications provided by the company's management and its bankers to arrive at the present ratings

BWR believes that the business risk profile of **Aquatech Solutions Private Limited** will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

The ratings have been reaffirmed on account of extensive experience of the promoters, moderate order book position, moderate gearing, adequate debt protection metrics, healthy profitability margins, average liquidity profile.

The rating is however constrained due to the inherent risk in the tender based business, presence in a highly competitive industry, stagnated scale of operations, working capital intensive nature of operations.

KEY RATING DRIVERS

Credit Strengths:

- **Extensive Experience of the Promoters** - The promoters have an experience of over a decade in the same field.
- **Healthy Order Book Position** - The company has a healthy unexecuted order book position of Rs.337.68Cr, spread across more than 10 projects, to be executed in the next 1-2 years. The firm is registered as a Class 1 civil contractor with Government Of Maharashtra .
- **Moderate Financial Risk Profile** - The company's financial profile remained comfortable, marked by a healthy net worth, low gearing and moderate debt coverage ratios. The Tangible Net Worth of the company stands at Rs 40.25cr in FY20 increasing from Rs 36.53cr in FY19 on account of plough back of profits. The company has a low gearing as indicated by a Total Debt/TNW of 0.87X in FY20, marginally increasing from 0.66X in FY19 but continues to remain low. The company debt coverage metrics as indicated by ISCR & DSCR stand moderately at 2.06X & 1.89X respectively in FY20 vis-a-vis 3.70X & 2.51X in FY19. The operating profit margins remain stagnant at 11.23% in FY20. The current ratio stands moderate at 1.31X in FY20.

Credit Risks:

- **Reduction in Topline-** ASPL's topline was affected by the lockdown faced on account of pandemic wherein certain bills could not be cleared on a timely basis. As a result, the topline of the company reduced in FY20 to Rs 76.87cr from Rs 105.23 in FY19.
- **Stretched Working Capital Cycle** - The company has a stretched working capital cycle. The GCA accounts to 126.33% of the revenue registered in FY20 vis-a-vis 71.56% in FY19. On a provisional basis it stands improved at 89.93%.
- **Susceptibility to Risks Inherent in Tender-based Business** - Since the company's business model is tender-based, revenue depends on the company's ability to win tenders successfully. Additionally, the majority orders are from government entities, resulting in high dependence on timely clearances for tenders and payment. Going ahead, revenue and profitability are expected to remain susceptible to inherent risks in tender-based operations. Furthermore, the nationwide lockdown due to COVID-19 and slowdown in construction work may affect project completion within the stipulated time frame.
- **High Competition Intensity and Inherent Risk associated with Infrastructure Industry** - The civil construction industry is highly fragmented in nature with the presence of a large number of unorganised players and a few large organised players, which, coupled with the tender-driven nature of construction contracts, poses huge competition. ASPL, like any other civil construction company, is exposed to risks inherent in the civil construction sector, such as a slowdown in new order inflows and the risks of delays in execution. Operations are vulnerable to price variations in key raw materials; however, the risk is largely mitigated in the case of contracts that include an escalation clause.

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 company's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity will be the key rating sensitivities.

Positive:

- Significant ramp-up in operating revenues on the back of timely project completion, maintaining new order flows and efficient debtor's collections

Negative:

- Lower-than-expected cash flow from operations due to a significant delay in completion, weakening of the liquidity position, deterioration in the gearing and debt coverage metrics

LIQUIDITY POSITION: ADEQUATE

The company has an adequate liquidity position. The company has a moderate current ratio of 1.31X in FY20. The net cash accruals stand at Rs 3.71cr with cash & cash equivalents at Rs 9.63cr as per FY20 as against repayment obligations in tune of Rs 1.88cr in FY21. The average cash credit utilization stands at 98.32%. Cash & Bank Balance as on 4th May 2021 stands at Rs 5.81cr

COMPANY PROFILE

M/s. Aquatech Solutions Private Limited (ASPL) incorporated in Feb 2006, has its activity carried out from Pune. It is a Pune based closely held company. ASPL is a registered Class I Civil Contractor with Govt Of Maharashtra. ASPL is mainly engaged in the design and construction of Sewerage Treatment Plants and underground sewerage network systems. It mainly utilises a Cyclic Activated Sludge Treatment technology (C-Tech). ASPL is promoted by Mr. Suhas Sudhakar Joshi (Managing Director). The other director of the company is Mr. Ajinkya Joshi

KEY FINANCIAL INDICATORS (in INR Crs)

Key Parameters	Units	FY 20	FY 19
Result Type		Audited	Audited
Total Operating Income	₹ Cr	76.87	105.23
OPBDIT	₹ Cr	8.64	12.27
PAT	₹ Cr	3.71	7.05
Tangible Net Worth	₹ Cr	40.25	36.53
Total Debt/TNW	Times	0.87	0.66
Current Ratio	Times	1.31	1.46

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : None

NON-COOPERATION WITH PREVIOUS RATING AGENCY : NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Instrument	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	28th, January, 2020#	24th, January, 2019	2018
Fund Based	Long Term	32.90	BWR BBB- (Stable) [Reaffirmation]	BWR BBB- (Stable)	BWR BBB- (Stable)	-
Non Fund Based	Short Term	8.00	BWR A4 [Reaffirmation]	BWR A4	BWR A4	-
Total		40.90	INR Forty Crores & Ninety Lakhs Only			

#Ratings transferred to Ratings Not Reviewed on 29th January 2021

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- [Manufacturing Companies](#)
- [Approach To Financial Ratios](#)
- [General Criteria](#)
- [Short Term Debt](#)

Analytical Contacts	
Siddhi Kadakia Primary Analyst [Board: 022 67456666 Ext:648] Siddhi.k@brickworkratings.com	Sushil Kumar Chitkara [Associate Director – Ratings] [Board:+91 22 2831 1426, +91 22 2831 1439] sushilkumar.c@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

Aquatech Solutions Private Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1)	Cash Credit	27.00	-	27.00
2)	WCTL	4.40	-	4.40
3)	Covid Loan	1.50	-	1.50
4)	Bank Guarantee	-	8.00	8.00
TOTAL				40.90

Total Rupees Forty Crores & Ninety Lakhs Only.

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).



BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.