



RATING RATIONALE

28 Jan 2020

Aquatech Solutions Private Limited

Brickwork Ratings reaffirmed the long term & short term rating for the Bank Loan Facilities of Rs.30.00 Crores of Aquatech Solutions Private Limited.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Jan, 2019)	Present
Fund based: CC	22.00	22.00	Long Term	BWR BBB- (Stable)	BWR BBB- (Stable) (Reaffirmed)
Non Fund Based: BG	8.00	8.00	Short Term	BWR A3	BWR A3 (Reaffirmed)
Total	30.00	30.00	Rupees Thirty Crores 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 / OUTLOOK

The rating of Aquatech Solutions Pvt Limited ('ASPL' or 'the company') has been reaffirmed to BWR BBB-/A3 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 ratings also take into consideration the inherent risk in the tender based business, presence in a highly competitive industry, stagnated scale of operations, working capital intensive nature of operations.

The ratings have been assigned a stable outlook on account of the projected healthy growth in the Indian EPC industry. BWR believes that Aquatech Solutions Pvt Limited business risk profile will be maintained over the medium term.

KEY RATING DRIVERS

Credit Strengths:

Extensive experience of the promoters: The promoters have an experience of over a decade in the same field.

Moderate order book position: Moderate order book position with orders amounting to ~Rs 151 Cr, providing revenue visibility.



Moderate Gearing: Moderate gearing with the total debt/ TNW & TOL/TNW standing at 0.66x & 1.41x respectively in FY19 as compared to 0.69x & 1.52x in FY18.

Adequate debt protection metrics: Moderate debt protection metrics with the ISCR and DSCR standing at 3.70x and 2.51x respectively in FY19 as compared to 4.32x and 2.73x respectively in FY18, though declined but still adequate.

Healthy margins: Healthy profitability margins with the NPM and OPM standing at 6.70% and 11.66% respectively in FY19 as compared to 6.08% and 10.48% respectively in FY18.

Average liquidity profile: Average liquidity profile with the current ratio standing at 1.46x in FY19 as compared to 1.62x in FY18.

Credit Risks

Susceptibility to risks inherent in tender based business: Since the entire income is tender based, business will depend on the ability to bid successfully for them. Also, majority of orders are from government entities, resulting in high dependence on timely clearances for tenders and payment. Revenue and profitability are expected to remain susceptible to risks inherent in tender-based operations.

Presence in a highly competitive industry: Construction and civil works sector is highly fragmented with the presence of large companies as well as smaller local players.

Stagnated scale of operations: Stagnated scale of operations with the TOI standing at Rs 105.23 Cr in FY19 as compared to Rs 104.33 Cr in FY18. Till Dec 2019, the company has registered a revenue of Rs 87.68 Cr.

Working capital intensive nature of operations: Working capital intensive nature of operations with high dependence on the bank limits and high inventory days.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Aquatech Solutions Pvt Ltd. BWR has applied its rating methodology as detailed in the Rating Criteria (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: The rating will be upgraded if the company is able to achieve significant growth in revenue and profitability backed by a favourable industry scenario and optimum utilisation of capacities, and sustained improvement working capital management.

Negative: The rating may be downgraded if there is lower than expected revenues affecting the profitability margins, coverage ratios, liquidity and gearing ratios adversely.

LIQUIDITY POSITION: Adequate

The current ratio of the company stands at 1.46x in FY19 but ~18% of the total current assets comprise of the receivables greater than 6 months and hence, the adjusted current ratio stands at 1.19x in FY19. The analysed current ratio has been calculated without considering the receivables greater than 6 months which amount to Rs 13.73 cr in FY19. The cash accruals stand at Rs 7.16 Cr in FY19 as compared to no long term debt repayment obligation in FY19. The average CC utilization stands at 95-100% as per banker feedback. The company has an unencumbered modest cash balance amounting to Rs 2.81 Cr in FY19.

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 system. 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

Key Financial Indicators	Unit	FY19 Audited	FY18 Audited
Total Operating Income	(in ₹ Cr)	105.23	104.33
EBITDA	(in ₹ Cr)	12.27	10.93
PAT	(in ₹ Cr)	7.05	6.34
Tangible Net Worth	(in ₹ Cr)	36.53	29.48
Total debt/ TNW	Times	0.66	0.69
Current ratio	Times	1.46	1.62

KEY COVENANTS OF THE FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	Jan, 2019	Sep, 2018	Jun, 2017
Fund Based	Long Term	22.00	BWR BBB- (Stable) (Reaffirmed)	BWR BBB- (Stable)	Ratings moved to RNR	BWR BB+ (Stable)
Non Fund Based	Short Term	8.00	BWR A3 (Reaffirmed)	BWR A3		BWR A4+
Total		30.00	Rupees Thirty Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Manufacturing Companies](#)

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ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Bank Of Maharashtra	CC	12.00	-	12.00
		BG	-	8.00	8.00
2.	Janaseva Sahakari Bank Ltd	CC	10.00	-	10.00
TOTAL					30.00

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