

Rating Report

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

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for Bank Loan facilities sanctioned by State Bank of India to Aqua Designs India Private Limited (*ADIPL or the 'Company'*).

Facility		Limit (₹ Cr)	Tenure	Rating ¹
Fund Based Cash Credit	Existing Limit	27.00	Long Term	BWR BBB – (BWR Triple BBB 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 Rs. 8 Crores 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 upto FY13, provisional financial statements of FY14 and projected financial statements upto 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 network, 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.

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

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

& 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 Networth 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 crores, out of which Rs. 25.57 crores 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.

Key financial parameters are detailed in Annexures I, II and III.

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.

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Annexure I: Summary of the Profit & Loss Statement

Rs. in Crores	FY2011	FY2012	FY2013	FY2014
Result Type	Audited	Audited	Audited	Provisional
Gross Sales	64.59	103.13	109.20	119.80
Net Sales	64.59	103.13	109.20	119.80
Other Operating Income	1.30	0.28	0.85	0.21
Total Operating Income	65.90	103.42	110.06	120.01
Operating Expenses	60.89	92.87	100.36	107.91
OPBDIT	5.01	10.54	9.70	12.10
Depreciation	0.82	1.01	1.22	1.23
OPBIT	4.19	9.53	8.49	10.87
Interest and Finance Charges	1.62	1.80	4.17	4.89
OPBT	2.57	7.73	4.32	5.98
Non Operating Income(Expenses)	0.06	0.47	0.37	0.21
PBT	2.62	8.20	4.68	6.19
Provision for Taxes	-0.09	2.73	1.65	1.35
PAT	2.71	5.47	3.03	4.84

Annexure II: Summary of the Balance Sheet

₹ Crores	FY2011	FY2012	FY2013	FY2014
Result Type	A	A	A	Prov.
LIABILITIES				
EQUITY AND RESERVES	39.83	45.31	66.34	71.18
Share capital	8.60	8.60	10.49	10.49
Reserves and Surplus	31.24	36.71	55.85	60.69
Non-current liabilities	1.58	1.02	0.46	0.32
Long-Term Borrowings	1.52	0.87	0.24	0.10
Deferred tax Liabilities (Net)	0.00	0.10	0.17	0.17
Other Long Term liabilities	0.07	0.05	0.05	0.05
Current liabilities	41.92	85.02	100.26	99.06
Short-Term Borrowings	7.26	17.80	16.83	29.92
CPLTD	1.08	1.17	0.62	0.15
Trade Payables	29.05	60.77	79.28	66.77
Other Current Liabilities	2.92	4.18	3.16	1.41
Short-Term Provisions	1.60	1.10	0.37	0.81
Total Liabilities	83.34	131.35	167.06	170.56
ASSETS				
Non-current assets	11.49	21.94	22.18	31.99
Net Fixed assets	7.39	8.53	8.27	10.67
Net Intangible assets	0.00	0.05	0.52	0.48
Non Current Investments	0.79	0.79	0.79	0.79
Long Term Loans and Advances	3.30	3.91	4.19	4.22
Long Term Trade Receivables	0.00	8.66	8.40	15.83
Current assets	73.85	109.41	144.88	138.57
Inventories	2.05	0.68	1.22	7.22
Trade Receivables > Six Months	16.94	24.48	47.98	35.57
Trade Receivables < Six Months	45.16	76.67	87.20	87.69
Cash and Cash Equivalents	2.38	2.60	6.34	5.17
Short-Term Loans and Advances	3.33	4.99	2.14	2.92
Total Assets	83.34	131.35	167.06	170.56

Annexure III: Key Ratios

Key Ratios	FY2011	FY2012	FY2013	FY2014
Result Type	A	A	A	Prov.
Tangible Net Worth	39.83	45.25	65.81	70.70
Total Debt/TNW	0.25	0.44	0.27	0.43
Long Term Debt/TNW	0.04	0.02	0.00	0.00
TOL/TNW	1.09	1.90	1.53	1.41
ISCR	3.09	5.86	2.33	2.47
DSCR	3.18	2.87	1.58	1.99
Net Cash Accruals/Total Debt	0.36	0.33	0.24	0.20
Net Profit Margin	4.11	5.29	2.75	4.03
Operating Profit Margin	7.60	10.19	8.82	10.08
ROCE	8.43	16.59	11.40	11.77
Current Ratio	1.71	1.29	1.45	1.40
Days Receivables	351	289	395	394
Days Inventory	13	6	4	16
Days Payable	243	259	374	339
Conversion Cycle	121	36	25	70