

## Rating Rationale

**Brickwork Ratings assigns ‘BWR BB’ & ‘BWR A4+’ for the Bank credit Facilities aggregating ₹ 9.80 Cr of Aqua Machineries Pvt. Ltd.**

<b>Bank Loan Rating:</b>	<b>Outlook : Stable</b>
<b>Long Term: BWR BB</b> <b>Short Term: BWR A4+</b>	

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Bank Credit Facilities of ₹ 9.80 Cr of Aqua Machineries Pvt. Ltd.

Facility	Limits (₹ Cr)	Tenure	Rating
<b>Fund Based</b>  <b>Open Cash Credit / ODBD</b>	<b>3.50</b>	<b>Long Term</b>	<b>BWR BB</b> <i>(Pronounced BWR Double B)</i>  <b>Outlook-Stable</b>
<b>Non Fund Based-</b>  <b>Bank Guarantee / ST Bank Guarantee</b>	<b>6.30</b>	<b>Short Term</b>	<b>BWR A4+</b> <i>(Pronounced BWR A Four Plus)</i>
<b>Total</b>	<b>₹ 9.80 Cr (INR Nine Crores Eighty Lakhs only )</b>		

The ratings reflect promoters’ market standing, the Company’s focused approach towards manufacturing and marketing of its popular product viz. (dry motor) Submerged Centrifugal & Non Clog Pump; strong order book growth in recent years, and promoters’ ability to infuse equity capital.

The rating is however constrained by the firm’s small scale of operations restricting economies of scale, moderate profit margins, working capital intensive nature of business, and industry characterized by heavy competition mainly from players in the unorganized sector.

### Company Overview:

Aqua Machineries Pvt Ltd (“Aqua” or the “The Company”), was originally incorporated on 02/06/1984 as a private limited company under the name of Pullen Machineries Pvt. Ltd. The name of the Company was changed to the existing one in 2002. Aqua is a manufacturer

<sup>1</sup> Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Rating

of Heavy Duty Water Pumps and Wastewater pumps. The Company offers a wide range of Non clog submersible pumps under the brand name “Aqua”; it focuses on the manufacturing of (dry motor) Submerged Centrifugal & Non Clog Pump (for sewage, drainage, storm water, effluents, slurries, silt pumpage, raw water supply etc.). The Company’s registered office is situated at Ahmedabad. Aqua is an ISO 9001 certified Company.

The Company’s board directors are: Mr. Jayantibhai P. Patel (Managing Director), Mr. Abhinay J. Patel (Director), Mrs. Kalindiben J. Patel (Director) and Mr. Mayank R. Shah (Director).

### Financial Performance

Operating income improved by 52% yoy to ₹ 26.36Cr in FY’11-12, mainly driven by strong growth in the order inflows. Operating profit strengthened by 45% yoy to ₹ 1.45Cr, while operating margins remained nearly stagnant at 5.50% as the Company made some sales of traded goods (6% of gross sales) which were at lower margin. PAT increased to ₹ 0.64Cr from ₹ 0.35 in FY’10-11 with improvement in margins to 2.44% (vs. 2.03%) mainly due to increase in non-operative income. ROCE has increased in past two FYs (FY’11-12: 16.18%, FY’10-11: 15.20%) due to improvement in the operating performance of the Company. Debt level has shown increasing trend in recent years (FY’11-12: ₹ 4.44 Cr, FY’10-11: ₹ 2.04) mainly consisting of working capital loan and short term borrowing from related parties due to higher order inflows. Adjusted gearing (long term promoters loans are considered as quasi equity, due to undertaking provided by promoters that unsecured loans are long term, which will not be withdrawn in near term), is at comfortable level (FYE’11-12: 0.42, FYE’10-11: 0.07). Interest coverage ratio is at comfortable level (FYE’11-12: 3.38), while current ratio is marginally adverse at 1.25 due to intensive working capital nature of the business.

### Outlook:

The Company has grown reasonably in the past years in terms of turnover, profits and networth. However, the Company is operating in highly competitive market and the industry is characterized by somewhat lower PAT margins. Going forward, the key rating sensitivities would be the ability of the Company to improve its profitability margins coupled with efficient working capital management. Additionally, the Company’s prospects would also depend on the realization of estimated turnover and margins.

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**Annexure: Key Financials**

(₹ Crores)

Particulars	2010	2011	2012
	Audited	Audited	Audited
Operating Income	10.22	17.36	26.36
EBITDA	0.92	0.99	1.45
PAT	0.36	0.35	0.64
Long Term Borrowings	0.06	--	--
Short Term Borrowings	1.66	2.04	4.44
Total Debt	1.72	2.04	4.44
Paid Up Equity Capital	0.15	0.15	0.15
Reserves & Surplus	2.80	3.15	3.80
Tangible Networth	2.95	3.30	3.95
Quasi Equity	1.27	1.68	1.95
Adj. Debt to Equity (x)	0.11	0.07	0.42
Interest Coverage (x)	3.56	3.33	3.38
EBITDA Margin (%)	8.97%	5.72%	5.50%
PAT Margin (%)	3.55%	2.03%	2.44%
Net Cash Accruals / Total Debt (x)	0.34	0.30	0.22
Current Ratio (x)	1.37	1.30	1.25

\*Calculations have been based on BWR ratio definition