



Press Release

MM Aqua Technologies Limited

January 13, 2021

Ratings

	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Bank Facilities- Long Term	12.00	IVR BB- (IVR Double B Minus)
2	Bank Facilities- Short Term	7.50	IVR A4 (IVR A Four)
	Total	19.50	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of MM Aqua Technologies Limited derives comfort from extensive experience of promoters and diversified product profile, diversified and reputed customer base and moderate order Book position. The rating also considers moderate average financial risk profile, small scale of operations with diminishing margins, and working capital intensive nature of operations with elongation in operating cycle and intense competition in the industry.

Key Rating Sensitivities:

Upward revision factors:

- Growth in scale of operations with improvement in profitability, and cash on a sustained basis.
- Manage working capital requirements efficiently with improvement in liquidity position.

Downward revision factors:

- More than expected moderation in scale of operations or profitability impacting the liquidity profile
- Moderation in the capital structure



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List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

- **Extensive experience of promoters and diversified product profile**

The Company has been present for more than two decades in the field of providing complete solutions to cooling towers, water and water waste management. This has enabled the management to establish strong relationships with vendors and customers. The top management at MMATL is supported by professionally qualified team having adequate experience in the industry.

- **Diversified and reputed customer base**

MMATL has an established customer base, primarily in the cooling tower segment. The company enjoys established relationships with most of its customers, with several repeat orders being garnered from them. Its customer base is moderately diversified with its top ten customers accounting for 67% of the total sales in FY2020.

- **Moderate Order Book Position**

The Company has order book position of ~Rs.23.45 crore to be executed in, providing revenue visibility. Further, with the diversified geographical presence of the company in India and abroad, the company will be in a better position to procure orders in future.

B. Key Rating Weaknesses

- **Moderate average financial risk profile**

Overall capital structure of the company remains moderate marked by Overall Gearing ratio (times) on net adjusted Tangible Net Worth at 0.69x as on March 31, 2020. The debt protection indicators like interest coverage are average at 1.52x in FY20 (1.88x in FY19). Further, total indebtedness of the company as reflected by TOL/TNW remained moderate at 1.22x as on March 31, 2020.

- **Small Scale of Operations with Diminishing Margins**

MMATL has been operating on a small scale and its turnover has remained in the range of Rs. 46 crore-Rs. 50 crore in past three fiscals. The company have cloaked sales of Rs. 19.22 crore 8M FY21. It is low since the initial 4 months due lockdown situation, it was nil, later it has started with limited labour. With the small scale of operations the



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margins have also witnessed deterioration in past fiscal as witnessed by EBITDA and PAT margin of 5.56% and (0.50%) in FY20 whereas it was 7.51% and 0.36% in FY19. The entity has projected sales of Rs. 36.00 crore in FY21, and with order book in hand of Rs. 23 crore the projected sales seems achievable.

- **Working capital intensive nature of operations with elongation in operating cycle**

The company's working capital intensity of operations have usually tended to remain on the higher side due to high receivables as the debtor days reduced to 111 days as on March 31, 2020 as compared to 134 days as on the previous fiscal end on the back of higher orders executed in the last quarter and increased credit period extended. The creditor days has stood at 57 days as on March 31, 2020. The inventory levels have remained on a higher side at 101 days as on March 31, 2020 and 87 days as on March 31, 2019.

- **Intense Competition in the Industry**

MMATL, a small-sized player in the cooling tank industry, faces intense competition from large organized as well as small unorganized players across the domestic market.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity profile of MMATL is expected to remain adequate marked by its expected satisfactory cash accrual of Rs.1.26 crore, Rs. 4.10 crore and Rs. 4.16 crore in FY21, FY22 and FY23 as against debt repayment obligation of Rs. 0.02 crore, Rs.0.05 crore and Rs.0.66 crore for the same period. Moreover, the company has current ratio at above 1.2 times and Cash Equivalents level of ~Rs.1.59 crore including FDR as on March 31, 2020. The average working capital utilisation of the company remained moderate at ~78% during the past 12 months ended December 31, 2020 indicating limited liquidity buffer.



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About the company

MM Aqua Technologies Ltd (MMATL), established in 1997 provides a complete solution for cooling tower, water and waste water treatment. MMATC manufactures PVC Fill Media Tube Settler and Diffusers for water & wastewater treatment, influent treatment, Gas Cleaning, Cooling Tower for an extremely diverse range of applications. MMATL offer complete gamut of technologies, project management and engineering solutions covered under one roof with products namely PVC Structured Fill Media, BIOdek, TUBEdek, Drift Eliminators, Mist Eliminators, etc. which gives a complete effluent treatment.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	47.87	46.45
EBITDA	3.60	2.58
PAT	0.17	-0.24
Total Debt	2.27	2.07
Tangible Net worth	19.56	19.49
EBITDA Margin (%)	7.51	5.56
PAT Margin (%)	0.36	-0.50
Overall Gearing Ratio (x)^	0.86	0.69

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	12.00*	IVR BB-/Stable	-	-	-



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2.	Bank guarantee	Short Term	7.50	IVR A4			

* EPC/PCFC/FBP/FBD/PSFC of Rs. 5.00 are the sublimit if CC facility.
Financial bank guarantee of Rs. 1.00 crore is the sublimit if CC facility

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	12.00*	IVR BB-/Stable
Short Term Bank Facilities- Bank Guarantee	-	-	-	7.50	IVR A4

*EPC/PCFC/FBP/FBD/PSFC of Rs. 5.00 are the sublimit if CC facility.
Financial bank guarantee of Rs. 1.00 crore is the sublimit if CC facility

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-MM-Aqua-Technologies-Ltd-13-jan-21-.pdf>