

## Ashwath Quippo Infraprojects Private Limited

December 14, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	58.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>58.00</b> <b>(Rs. Fifty-Eight Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has been seeking monthly 'No Default Statement (NDS)' and information from Ashwath Quippo Infraprojects Private Limited (AQIPL) to monitor the rating(s) vide e-mail communications dated October 01, 2021, December 06, 2021, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite NDS and information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, AQIPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on AQIPL's bank facilities will now be denoted as **CARE B+; ISSUER NOT COOPERATING\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

The ratings have been revised on account of inability to monitor the performance of the company going forward due to non-cooperation by the issuer which is critical for assessing the credit profile of the company.

### Detailed description of the key rating drivers

*At the time of last rating on February 08, 2021, the following were the rating strengths and weaknesses:*

#### Key Rating Weaknesses

##### ***Short track record of operation***

AQIPL was incorporated as a joint venture initiative of Ashwath Urban Pure Private Limited (AUPPL) and Quippo Infrastructure Limited (QIL). AQIPL has short track record of operations with the company incorporated in June'16.

##### ***Deterioration in capital structure and debt coverage indicators***

The networth stood at Rs.73.57 crore as on March 31, 2020, as against Rs.64.73 crore as on March 31, 2019. The networth base is moderate with short track record and draws support from subordinated term loan from SEFL of Rs.40 crore. However, the total debt increased from Rs.117.85 crore as on March 31, 2019, to Rs.188.22 crore as on March 31, 2020, to meet working capital requirements. The overall gearing increased and stood at 2.56x as on March 31, 2020, as compared to 1.82x as on March 31, 2019. The debt coverage indicators also deteriorated with increase in total debt during the year. The interest coverage and TD/GCA deteriorated from 2.09x and 7.13x respectively in FY19 to 1.43x and 15.49x respectively in FY20.

##### ***Elongated operating cycle***

The operations are working capital intensive due to long term nature of contracts. The working capital requirement is funded through creditors and loans from SEFL. The operating cycle has further elongated to 281 days in FY20 from 170 days in FY19. The stretch in operating cycle was primarily due to elongation in collection period from 199 days in FY19 to 294 days in FY20.

##### ***Concentrated order book***

The company is exposed to concentration risk in order book as top three orders accounted for 74% of un-executed order book.

##### ***Highly competitive industry with business risk associated with tender-based orders***

AQIPL faces direct competition from various organized and unorganized players in the industry. The company receives majority of work orders from public sector undertakings. The risk arises from the fact that any changes in geo-political environment and policy matters would affect all the projects at large. Furthermore, any changes in the government policy or government spending on projects can affect the revenues of the company.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE publications

Further, the company undertakes government projects, which are awarded through the tender based/bidding system. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

### Key Rating Strengths

#### **Moderate order book position**

AQIPL has moderate unexecuted order book of Rs.428 crore as on December 31, 2020. However, the order book has remained relatively stagnant with low execution on account of Covid-19 and no new orders received by the company in the current year.

#### **Stable operating margins in FY20**

The total operating income increased from Rs.207.57 crore in FY19 to Rs.223.87 crore in FY20. The operational profitability of the company has remained relatively stable at 17.48% in FY20 vis-à-vis 18.32% in FY19. However, PAT margin declined from 6.70% in FY19 to 4.02% in FY20 due to substantial increase in finance cost during the year. Accordingly, net profit decreased from Rs.14.11 crore in FY19 to Rs.9.15 crore in FY20. GCA stood at Rs.12.15 crore in FY20 as against Rs.16.53 crore in FY19.

The performance for the current year has been impacted due to lower execution of order book due to the impact of Covid-19 on execution. The company has executed around Rs.90 crore of orders during February'20 to December'20. Improvement in pace of execution and availability of sanctioned bank borrowings to meet additional working capital requirements is critical for performance of the company going forward.

#### **Liquidity: Stretched**

The company's operating cycle has witnessed elongation in FY20, and it is dependent on group entities for meeting its liquidity requirement. It does not have fund based working capital limits from banks. However, support has been provided by SEFL in the form of long tenure term loans. The average utilization of non-fund based limits was high at 90% for last twelve months ended December'20. The company has pledged Fixed Deposits of Rs.36 crore against BGs issued as on December 31, 2020. In case of requirement, support from the group is expected to continue. The company had availed moratorium from SEFL on interest payment in terms of the Covid-19 Regulatory Package of the Reserve Bank of India till August 2020. It has applied for further moratorium to SEFL after August 2020 which is under consideration of SEFL.

**Analytical approach:** Standalone

#### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Infrastructure Sector Ratings](#)

[CARE's Policy on Default Recognition](#)

#### **About the Company**

AQIPL was incorporated as a joint venture initiative of AUPPL and QIL. AUPPL was formed by the promoters of Ashwath Infratech Private Limited (AIPL; engaged in water management and rainwater harvesting solutions) to engage in the business of trenchless sewage rehabilitation. Whereas, QIL is engaged in the business of services, leasing and banking of construction equipment.

AQIPL is an integrated solution provider for urban water and sewage infrastructure projects. The company's capabilities in trenchless sewage works include de-silting & rehabilitation of sewage lines, borewell drilling & construction, pipelines renewal & laying and urban/rural water infrastructure.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	31-03-2021 (A)	H1FY22
Total operating income	207.57	223.87	NA	NA
PBILDT	38.02	39.13	NA	NA
PAT	14.11	9.15	NA	NA
Overall gearing (times)	1.82	2.56	NA	NA
Interest coverage (times)	2.09	1.43	NA	NA

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Available

**Rating History (Last three years):** Please refer Annexure-2

**Covenants of rated instrument:** Detailed explanation of covenants of the rated instruments is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantees		-	-	-	34.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantees		-	-	-	24.00	CARE B+; Stable; ISSUER NOT COOPERATING*

**Annexure-2: Rating History of last three years**

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - LT-Bank Guarantees	LT	34.00	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (08-Feb-21) 2)CARE BBB- (CE) (CWN) (16-Dec-20) 3)CARE A-(CE) (CWD) (17-Nov-20) 4)CARE A-(CE); Stable (04-Sep-20)	1)CARE A (CE) (CWN) (06-Mar-20) 2)CARE A+ (CE) (CWN) (19-Aug-19) 3)CARE AA-(CE) (CWN) (03-Jul-19)	1)CARE AA (SO) (CWD) (11-Mar-19) 2)CARE AA (SO); Stable (31-Aug-18)
2	Non-fund-based - LT-Bank Guarantees	LT	24.00	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (08-Feb-21) 2)CARE BBB- (CE) (CWN) (16-Dec-20) 3)CARE A-(CE) (CWD) (17-Nov-20) 4)CARE A-(CE); Stable (04-Sep-20)	1)CARE A (CE) (CWN) (06-Mar-20) 2)CARE A+ (CE) (CWN) (19-Aug-19) 3)CARE AA-(CE) (CWN) (03-Jul-19)	1)CARE AA (SO) (CWD) (11-Mar-19) 2)CARE AA (SO); Stable (31-Aug-18)
3	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	1)Withdrawn (16-Dec-20) 2)Provisional CARE A-(CE) (CWD) (17-Nov-20) 3)Provisional CARE A-(CE); Stable (04-Sep-20)	1)Provisional CARE A (CE) (CWN) (06-Mar-20) 2)Provisional CARE A+ (CE) (CWN) (19-Aug-19) 3)Provisional CARE AA-(CE) (CWN) (03-Jul-19)	1)Provisional CARE AA (SO) (CWD) (11-Mar-19) 2)Provisional CARE AA (SO); Stable (31-Aug-18)

4	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	-	1)Withdrawn (19-Aug-19) 2)Provisional CARE AA-(CE) (CWN) (03-Jul-19)	1)Provisional CARE AA (SO) (CWD) (11-Mar-19) 2)Provisional CARE AA (SO); Stable (31-Aug-18)
5	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	-	1)Withdrawn (19-Aug-19) 2)Provisional CARE AA-(CE) (CWN) (03-Jul-19)	1)Provisional CARE AA (SO) (CWD) (11-Mar-19) 2)Provisional CARE AA (SO); Stable (31-Aug-18)
6	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	-	1)Withdrawn (19-Aug-19) 2)Provisional CARE AA-(CE) (CWN) (03-Jul-19)	1)Provisional CARE AA (SO) (CWD) (11-Mar-19) 2)Provisional CARE AA (SO); Stable (31-Aug-18)
7	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	-	1)Withdrawn (08-Feb-21) 2)CARE BB+ (16-Dec-20) 3)CARE BB+ (17-Nov-20) 4)CARE BB+ (04-Sep-20)	1)CARE BB+ (06-Mar-20) -

\* Long Term / Short Term

### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : NA

### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Non-fund-based - LT-Bank Guarantees	Simple

### Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### Disclaimer

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