

Ashwath Quippo Infraprojects Private Limited

May 14, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	58.00	CARE C; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable;

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Detailed Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated March 08, 2023, placed the rating(s) of Ashwath Quippo Infraprojects Private Limited (AQIPL) under the 'issuer non-cooperating' category as AQIPL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. AQIPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated January 22, 2024, February 01, 2024 and February 11, 2024. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

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 revision in rating of AQIPL is on account of default in servicing of debt obligations payable to M/s SREI Equipment Finance Ltd. (SEFL) which is not rated by CARE. However, there are no delays in bank facility of Ratnakar Bank Ltd (RBL) which is rated by CARE.

Detailed description of the key rating drivers:

At the time of last rating on March 08, 2023, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies)

Key weaknesses

Default in servicing of debt facility not rated by CARE albeit timely servicing of debt rated by CARE:

There has been default in servicing of debt obligations payable to M/s SREI Equipment Finance Ltd. (SEFL) which is not rated by CARE as per audited FY23 annual report. However, there are no delays in bank facility of Ratnakar Bank Ltd (RBL) which is rated by CARE as confirmed by the lender.

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.

Dip in financial performance between FY21 and FY23

The total operating income (TOI) moderated from Rs.164.32 crore in FY21 to Rs.68.19 crore in FY23. The operational losses of the company has increased from Rs.2.06 crore in FY22 to Rs.61.79 crore due to lower execution. The company's net losses increased from Rs.34.65 crore in FY22 to Rs.83.73 crore in FY23. GCA stood negative at Rs.58.34 crore in FY23 (P.Y.: Rs.32.57 crore) 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.

Deterioration in capital structure and debt coverage indicators:

The net worth stood at Rs.73.57 crore as on March 31, 2020, as against Rs.64.73 crore as on March 31, 2019. The net worth 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.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

As on Mar 31, 2023, the overall gearing ratio stood at -1.73x as against -3.69x as on Mar 31, 2022. The interest coverage and TD/GCA stood at -127.28x and -4.79x in FY23 as against -0.06x and -8.82x respectively in FY22.

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. In FY23 the operating cycle stood at 363 days as against 318 days in FY22.

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. 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 strengths

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

Analytical approach: Standalone

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

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

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

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 (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	118.09	68.19
PBILDT	-2.06	-61.79
PAT	-34.65	-83.73
Overall gearing (times)	-3.69	-1.73
Interest coverage (times)	-0.06	-127.58

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantee		-	-	-	34.00	CARE C; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantee		-	-	-	24.00	CARE C; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT-Bank Guarantee	LT	34.00	CARE C; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Mar-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (14-Dec-21)
2	Non-fund-based - LT-Bank Guarantee	LT	24.00	CARE C; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Mar-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (14-Dec-21)

*Issuer did not cooperate; based on best available information.

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - LT-Bank Guarantee	Simple

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Analytical Contacts Arindam Saha Director CARE Ratings Limited Phone: +91-033- 40181600 E-mail: arindam.saha@careedge.in Punit Singhania Associate Director CARE Ratings Limited Phone: + 91-033- 40181600 E-mail: punit.singhania@careedge.in Sumit Shaw Analyst CARE Ratings Limited E-mail: Sumit.shaw@careedge.in
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About us:

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Disclaimer:

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