Rating Rationale

ABS Aircon Engineer Pvt. Ltd.

7 Jun 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 22.40 Crores of ABS Aircon Engineer Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*		
	Previous	Present		Previous (April, 2016)	Previous (July, 2017)	Present
Fund based Cash Credit Term Loan	4.80 --	7.00 0.40	Long Term	BWR B+ (Pronounced as BWR single B plus) Outlook: Stable	Rating Not Reviewed	BWR BB- (Pronounced as BWR double B minus) Outlook: Stable (Upgraded)
Non Fund Based Letter Of Guarantee Letter Of Credit	8.50 --	12.00 3.00	Short Term	BWR A4 (Pronounced as BWR A four).		BWR A4 (Pronounced as BWR A four) (Reaffirmed)
Total	13.30	22.40	INR Twenty Two Crores and Forty Lakhs Only			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Long term rating upgraded and short term rating reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY17, projections for FY19 and clarifications provided by the Company's management.

The ratings continue to derive its strengths from experience of the promoter's and relationship with reputed clientele base, increase in revenues, improved profit margins, satisfactory coverage ratios and diversified clientele base. However, the ratings are constrained by, modest scale of operations, low net worth, working capital nature of business, presence in competitive and fragmented industry.

Going forward, the ability of the company to increase scale of operations with healthy revenue and profit growth, efficient utilization of working capital will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:** Experience of promoters is more than two decades, relationship with customers and suppliers is more than a decade, revenues increased from Rs. 47.02 Crs in FY16 to Rs. 57.58 Crs in FY17. Net profit margins and operating profit margins improved from 1.34% and 3.44% in FY16 to 1.68% and 4.48% in FY17. Interest service coverage and debt service coverage ratios are stood at 3.12 times and 2.44 times in FY17.

- **Credit Risks:** The Company has reported net worth of Rs. 3.79 Crs in FY17. revenues reported ar Rs. 57.58 Crs in FY17. working capital nature of business, presence in competitive and fragmented industry

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **ABS Aircon Engineer Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

ABS Aircon Engineers Pvt Ltd (ABS) was first started in 1996 under the name of 'ABS Marketing', as a partnership concern at Bangalore, Karnataka. In April 2005, it was reconstituted to a private limited company and renamed as 'ABS Aircon Engineers Pvt Ltd'. ABS is engaged in the designing, installation, commissioning and maintenance of Heating Ventilation Air-Conditioning (HVAC) systems, including central air-conditioning plants, packaged/ ducted systems, variable refrigerant flow (VRF) Systems. The Company also undertakes annual maintenance contracts for HVAC systems and providing end-to-end HVAC solutions to corporates, Commercial and institutional customers. Company has the Branch offices in Bangalore, Chennai and Hyderabad. Mr.Vinod Saladi, Mr. Vilayath Ali, Mr. Balakrishna are the directors.

Company Financial Performance

The revenue has increased from Rs.47.02 Crs in FY16 to Rs. 57.58 Crs in FY17. Profit After Tax reported at Rs. 0.97 Crs in FY17.. As informed by the management the Company has reported revenues of Rs. 75.16 Crs from April 2017 to March 18.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History			
		Type	Amount (₹ Crs)	Rating	27.7.2017	21.4.2016	20.2.2015	18.3.2014
	Fund Based	Long Term	7.40	**BWR BB- (Pronounced as BWR Double B minus) (Outlook:Stable) (Upgraded)**	**Rating Not Reviewed**	**BWR B+**	**BWR B**	**BWR B-**
	Non Fund Based	Short Term	15.00	**BWR A4 (Pronounced as BWR A four) (Reaffirmed)**		**BWR A4**	**BWR A4**	**BWR A4**
	Total		**22.40**	**₹ Twenty Two Crores and Forty Lakhs Only**				

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: Nil
Any other information: Nil

Key Financial Indicators

Key Parameters	Units	2015	2016	2017	Dec 2018	2019
Result Type		**Audited**	**Audited**	**Audited**	**Provisionals**	**Projection**
Operating Revenue	Rs. In Crs	35.06	47.02	57.58	51.15	111.41
EBITDA	Rs. In Crs	1.65	1.62	2.58	4.99	12.14
PAT	Rs. In Crs	0.24	0.63	0.97	3.99	7.33
Tangible Net worth	Rs. In Crs	2.20	2.83	3.79	7.78	18.85
Total Debt/Tangible Net worth	Times	2.87	1.77	1.66	1.40	0.41
Current Ratio	Times	1.09	1.09	1.13	1.21	1.45

Hyperlink/Reference to applicable Criteria

- General Criteria

- [Approach to Financial Ratios]
- [Infrastructure Sector]
- [Short Term Debt]

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Venkatesh ***CGM-Ratings*** analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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