

Rating Rationale

Brickwork Ratings assigns 'BWR B-' & 'BWR A4' for the Bank Loan facilities aggregating ₹ 6.81 Cr of ABS Aircon Engineer Pvt. Ltd

Brickwork Ratings has assigned the following **Ratings¹** for Bank Loan facilities of ABS Aircon Engineer Pvt. Ltd (*AAEPL or the 'Company'*).

Facility	Limit (₹ Cr)	Tenure	Rating
Fund Based			
Cash Credit	4.80	Long Term	BWR B- (BWR B Minus) (Outlook: Stable)
Term Loan	0.01		
Non Fund Based			
Letter of Guarantee	2.00	Short Term	BWR A4 (BWR A Four)
Total	6.81	INR Six Crores and Eighty One Lakhs only	

The rating, inter alia, factors the vast experience of the promoter in HVAC industry, substantial growth in net revenue from operations in the past 2 years, good list of clientele and the trade alliances with reputed Indian Companies. The rating has also factored the infusion of capital by the promoters during the current financial year which indicates their confidence in the business and the absence of term loans. However, the rating is constrained by high gearing ratio due to low tangible net worth, high days of receivable leading to stretched working capital cycle and almost more than 90 percent average utilization of working capital limits.

BWR has essentially relied upon audited financial results up to FY13; provisional financials up to December 31, 2013; publicly available information and information provided by the management.

Background:

ABS Aircon Engineers Pvt Ltd (AAEPL) was first started in 1996 as 'ABS Marketing', a partnership firm at Bangalore. In April 2005, it was converted to a private limited company and renamed as 'ABS Aircon Engineers Pvt. Ltd'.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Presently, AAEPL operates in the field of commercial air conditioning and refrigeration. The company provides turnkey HVAC (heating, ventilation, and air conditioning) solutions, air conditioning services and annual maintenance services. The company specializes in design, supply, installation and commissioning complete range of HVAC and Refrigeration Systems.

Financial Performance:

AAEPL reported a profit after tax of ₹ 0.31 Cr on net revenue from operations of ₹ 18.99 Cr for FY13 as against a net profit of ₹ 0.27 Cr on net revenue from operations of ₹ 14.17 Cr for. The net revenue from operations as on December 31, 2013 is ₹ 16.72 Cr (as per provisional financial statements for 9MFY14).

Rating Outlook:

AAEPL's performance over the next year is expected to be stable. Going forward, the Company's ability to register consistent growth in turnover with an increase in profitability margins, improve the capital structure and prudent management of its working capital especially receivables will be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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