

RATING RATIONALE

19 Nov 2019

Advance Ventilation Pvt. Ltd.

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 62.75 Crores of Advance Ventilation Pvt. Ltd.

Particulars

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous^ (July 2018)	Present
Fund Based	11.25	11.25	Long Term	BWR BB+ (Stable)	BWR BB+ (Stable) (Reaffirmed)
Non-fund Based	51.50	51.50	Short Term	BWR A4+	BWR A4+ (Reaffirmed)
Total	62.75	62.75	INR Sixty Two Crores and Seventy Five Lakhs Only		

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

** Details of Bank facilities is provided in Annexure-I

^The ratings were placed under 'Rating Not Reviewed' Category' on 22 July 2019

RATING ACTION / OUTLOOK

While reaffirming the ratings of Advance Ventilation Pvt. Ltd. (AVPL or 'the company'), BWR has factored in the long standing operational track record supplemented by the extensive experience of its directors in the same line of business. The company has a healthy order book consisting of over 200 customers from various business lines providing for the advantages of diversification. AVPL's clients are reputed companies such as L&T, BHEL, Doosan Power Systems India P Ltd., Technip India Ltd. The company has maintained its financial risk profile indicated by moderate overall leverage of 2.56x and gearing of 0.97x in FY19. Although the ISCR improved from 1.95x (FY18) to 2.04x (FY19), DSCR moderated from 1.40x to 1.10x due to higher debt repayment in FY19. The ratings of the company continue to remain constrained by the moderate scale of operations, stretched conversion cycle and high working capital requirements.

OUTLOOK: STABLE

BWR believes that the business risk profile of **Advance Ventilation Pvt. Ltd.** 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.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced & qualified promoters:** With an experience of more than 40 years in the field of application engineering, Mr. S K Chaudhary, the Managing director of AVPL is an engineering graduate from BITS Pilani. He is equally supported by Mr. Sumit Chaudhary, Chief Operating Officer and an engineering graduate from Delhi College of Engineering.
- **Improvement in financial risk profile:** AAIPL's revenues have increased with a CAGR of 17.9% in the last three fiscals. Its operating & net margins have also improved from 8.13% (FY18) to 9.20% (FY19) and 3.18% (FY18) to 3.64% (FY19). The gearing and overall leverage of the company also improved owing to decline in total debt and accretion of reserves due to retained profits.
- **Healthy outstanding order book:** AVPL offers concept to commissioning of ventilation systems across the business lines. As a result, the company has to its portfolio over 200 active clients which comprise both repeat & new customers. The unexecuted order book of the company stands at Rs 214 Crs at present.

Credit Risks:

- **Moderate Scale of Operations:** Although the revenues of the company have improved in FY19, the scale of its operations still remains low considering its long operational track record. Moreover, the operations are highly working capital intensive as the company gives a higher credit period to its customers than it generally gets from its suppliers. The company's receivable & inventory days stood high at 206 & 97 days respectively in FY19 resulting in elongated cash conversion cycle.
- **Volatile raw material prices:** The company procures steel products such as angles, channels, bars, HR/CR sheets as raw material from Jindal Steels, Rashtriya Ispat, SAIL etc. The prices of these products are volatile and can affect the profitability of AVPL because of the fixed price nature of its contracts with the clients.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

The ratings of Advance Ventilation Pvt. Ltd. are arrived at on a standalone basis after independent evaluation of its financial risk profile. 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 SENSITIVITIES

Positive: The ratings may be upgraded if the company's revenues and profits grow by over 20%, alongwith improvement in debt protection metrics with ISCR>2.5x and DSCR>1.5x. The company must

also maintain its gearing at or below the present levels along with other favorable factors, to support a rating upgrade.

Negative: The ratings may be downgraded if the revenue and profit of the company reduces by >20% & >50% each and DSCR & ISCR deteriorates to less than 1.0x & 1.5x respectively.

LIQUIDITY POSITION: STRETCHED

Stretched liquidity indicated by high utilisation of CC limits (over 90%), elongated conversion cycle of 127 days owing to high receivable days (206) and low DSCR of 1.10x indicating tightly matched cash accruals to its debt repayments. However, the company's ISCR of 2.02x and cash & cash equivalents of Rs 11.87 Crs (primarily as margin for NFB facilities) mitigates the liquidity concerns to an extent.

COMPANY PROFILE

Advance Ventilation Pvt Ltd (AVPL) was incorporated in 1981. The company's registered address is at Pitampura, New Delhi and a manufacturing plant at Kundli, Sonipat. The company implements humidification, ventilation and air conditioning solution system in the oil refineries, Petro-chemical products complexes, oil and gas plants, and large capacity Hydro, thermal & nuclear power generation plants. The company is mainly engaged in fabrication of air handling fans/blowers such as centrifugal, axial blow in single stage and 2-stage design and in various other configurations, which are the core equipment for ventilation and air handling systems.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Income	Rs Crore	77.94	72.32
OPBDIT	Rs Crore	7.17	5.88
PAT	Rs Crore	2.84	2.30
Tangible Net worth (TNW)	Rs Crore	28.99	24.28
Total Debt/TNW	Times	0.97	1.13
Current Ratio	Times	1.39	1.47

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NONE

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY

RATING HISTORY

Instrument / Facilities	Current Rating			Rating History			
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	22 July 2019	19 July 2018	20 July 2017	12 July 2016
Fund Based	Long Term	11.25	BWR BB+ (Stable)	Rating Not Reviewed	BWR BB+ (Stable)	BWR BB+ (Stable)	BWR BB+ (Stable)
Non-fund Based	Short Term	51.50	BWR A4+		BWR A4+	BWR A4+	BWR A4+
Total		62.75	INR Sixty Two Crores and Seventy Five Lakhs Only				

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria, obtain hyperlink from our website

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Advance Ventilation Pvt. Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	Cash Credit (Hyp)	10.25	-	10.25
2		Bill Discounting	-	(2.00)	(2.00)
3		Packing Credit	-	(2.00)	(2.00)
4		FOBP/FOUBP/FO BNLC	-	(2.00)	(2.00)
5		ILG	-	31.50	31.50
6		ILC/FLC	-	1.00	1.00
7		FLG	-	(1.50)	(1.50)
8	HDFC Bank	Cash Credit	1.00		1.00
9		Bill Discounting		5.00	5.00
10		ILG		14.00	14.00
TOTAL			11.25	51.50	62.75

Total Rupees 62.75 Crores only.



For print and digital media

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DISCLAIMER

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