

## Rating Rationale

### Brickwork Ratings assigns the ratings to 'BWR BB-' & 'BWR A4' for Bank Loan facilities aggregating ₹ 11.30 Cr of Astec Valves and Fittings Pvt Ltd

Brickwork Ratings have assigned the **Ratings<sup>1</sup>** for Bank Loan facilities aggregating ₹ 11.30 Cr of **Astec Valves and Fittings Private Limited** availed from Bank of India as:

Facility	Limits (Rs Cr)	Tenure	Rating
<b>Fund Based:</b>			<b>BWR BB-</b> (Outlook:Stable) (Pronounced BWR BB Minus )
Cash Credit	6.00	Long Term	
Term Loan	1.30		
<b>Non-Fund Based:</b>			<b>BWR A4</b> (Pronounced BWR A Four)
Foreign/Inland Letter of Credit	4.00	Short Term	
SBLC	(2.00)		
<b>Total</b>	<b>11.30</b>	<b>INR Eleven Crores Thirty Lakhs only</b>	

BWR has essentially relied upon the audited financials for FY12, FY13, FY14, and Projected financials for FY15 of Astec Valves and Fittings Private Limited, publicly available information and information/clarification provided by the Company's management.

The rating continues to factor in the promoters' experience, steady growth in revenues till FY14, established client relationships and tie-ups with its Suppliers, systematic procurement and distribution channel. However, rating is constrained by moderate scale of operations, high financial leverage and fragmented nature of industry which makes the industry vulnerable to high competition and restricts the product pricing flexibility of manufacturers.

#### Background:

Astec Valves and Fittings Pvt Ltd is a private limited company incorporated in 1987 by Mr Avtar Singh Kohli. The Company in the line of manufacturing valves and fittings manufactures products viz. instrument hook up material and prefabricated instrument hook up.

Earlier, in 1965 he had set-up Associate Techno in the same line of business. Post his tenure, his wife Mrs. Harcharan Kaur Kohli- Chairman, son- Mr. Kiranbir Singh Kohli – Managing Director & daughter-in-law Mrs. Sherry Singh Kohli-CFO are managing the Company affairs.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The major raw materials required to manufacture instrument hook up material and prefabricated instrument hook up are Stainless Steel, Duplex, Incoloy Monel which are majorly sourced from local suppliers like Popular Metal, Metallica Tubes (Tubes & Pipes), Progressive steels. These products are installed on most difficult applications in Oil & Gas, Nuclear / Thermal / Gas Power Plants, Ship Building, Research, Analytical, CNG, Chemical & Fertilizers, Pharmaceuticals, Water Treatment and many more. Around 30% of products are exported to Middle East and remaining within India. Its major customers include Reliance Industries Ltd, Doosan Power Systems Pvt Ltd, Larsen & Turbo, Emerson Process India, Thermax Ltd, Cairn India

### Financial Performance:

Revenue has increased from ₹ 11.19 Cr in FY13 to ₹ 14.69 Cr in FY14; however 31.27 % change in revenue is driven by volume increase in FY14. Net worth has increased from ₹ 4.08 Cr in FY 13 to ₹ 4.94 Cr in FY 14 and debt to equity ratio stands at 0.53 times in FY14 against 0.41 times in FY 13 . Firm is capable of negotiating favorable credit terms from suppliers to partially fund its working capital requirement. Profit after tax of the Firm has increased from ₹ 0.55 Cr in FY13 to ₹ 0.89 Cr in FY 14, the operating profit margins has marginally increased from 12.31% in FY13 to 13.32% in FY14, the profit after tax margins has also marginally increased from 4.84% in FY13 to 6.02% in FY14.

### Rating Outlook:

The rating reflects the established position of the firm in the segment of Valves & Fittings manufacturing. Going forward, the firm's ability to expand its horizons in the export market and thereby improve on scale of operations, increase the sales volume, efficient inventory management and maintain its profitability margins will remain the key rating sensitivities.

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