



## Rating Rationale

Avon Fitness Machines Pvt. Ltd.

10 Aug 2018

Brickwork Ratings reaffirms long-term rating and withdraws short-term rating for the bank loan facilities of Avon Fitness Machines Pvt. Ltd.

### Particulars

Facility Rated	Previous Amount Rated (Rs. Crs)	Present Amount Rated (Rs. Crs)	Tenure	Previous Rating *	Present Rating
<b>Fund Based</b>					
Cash Credit Existing Proposed#	5.00 14.00#	12.00 -	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Reaffirmed
<b>Non-Fund Based</b>					
Letter of Credit	1.00	0.00	Short Term	BWR A4+ (Pronounced as BWR Single A four plus)	Rating Withdrawn
<b>Total</b>	<b>20.00</b>	<b>Rs. 12.00 Crores (Rupees Twelve Crores Only.)</b>			

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

# Loan proposed by the client but not yet approved / sanctioned by the lenders

**Long Term Rating Reaffirmed and Short Term Rating withdrawn for Avon Fitness Machines Pvt. Ltd. (AFMPL or ‘the company’)**

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating derives comfort from promoters’ business experience and their ability to infuse funds, low gearing coupled with strong debt protection metrics, healthy profit margins, adequate current ratio and healthy solvency position of the company. The rating is, however, constrained owing to nascent stage of operations, moderate net worth base, high inventory holdings, regulatory risks, and susceptibility to forex fluctuations on imports.



The ability of the promoter's to increase the scale of operations profitably, maintaining working capital requirements, and timely servicing of debt-payment obligations would be the key rating sensitivities.

### **Key Rating Weaknesses**

- 1. Low Track Record of Operations:** The company commenced operations in FY15. Hence, the company is yet to experience a complete business / economic cycle in order to provide a fair view of the sustainability of the operations and financial risk profile.
- 2. Susceptibility to external factors:** The company is susceptible to changes in the trading policies with China - sole importer, forex fluctuations, and sustainability in demand for the product offerings.
- 3. Elongated conversion cycle:** AMFPL maintains inventory in order to serve the sudden demand from the customers. Hence, a large portion of the working capital is blocked in the inventory which elongates the conversion cycle of the company to 155 days in FY18 (unaudited)

### **Key Rating Strengths**

- 1. Strong reputation of Promoters:** AFMPL is a subsidiary company of Pahwa Estate and Holdings Pvt. Ltd. and is actively managed by promoters of Avon Cycles Limited (sister company) – Mr. Onkar Singh Pahwa, Mr. Rishi Pahwa, Mr. Mandeep Singh Pahwa. Also, other shareholding company's (Muscle Babby International Pvt. Ltd.) director, Mr. Santosh Kumar Motwani is a director in AFMPL.
- 2. Low Financial Risk Profile:** The company was able to increase its scale of operations by ~56% in FY18 (unaudited). The operating margins increased from 8.68% in FY17 to 13.28% in FY18(unaudited) and due to moderate increase in interest burden and absence of any long-term debt rendered the company to increase its coverage indicators - ISCR increased from 4.04X in FY17 to 6.35X in FY18 (unaudited) and DSCR increased from 2.93X in FY17 to 4.87X in FY18 (unaudited). The TOL/TNW ratio was also recorded at a healthy level of 1.29X in FY18 (unaudited).

**Analytical Approach:** BWR has taken the financials of the Company on a standalone basis into consideration while determining the credit rating of the entity. A reference may be made to hyperlinks below for the applicable criteria.

### **Rating Outlook: Stable**

BWR believes the **Avon Fitness Machines Pvt. Ltd.**'s 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**



Ludhiana-based Avon Fitness Machines Pvt. Ltd. (AFMPL) is a subsidiary company of Pahwa Estates and Holdings Pvt. Limited. AFMPL was incorporated in August 2013 at Ludhiana, Punjab. The concern is engaged in import of fitness machines, equipment, and spares from China, and markets these through its sister company (Avon Cycles Limited) established pan-India distribution network and directly to fitness centers under its own brand name “AVON”. The entity commenced operations in 2014-15. Directors, Mr. Omkar Singh Pahwa, Mr. Mandeep Pahwa, Mr. Rishi Pahwa, and Mr. Santosh Kumar Motwani, actively manage the operations of AFMPL.

### Company Financial Performance

Particulars	Units	FY2017	FY2018
		(Audited)	(Provisional)
Net Sales/Revenues	Times	23.95	37.49
EBITDA	Crores	2.08	4.98
PAT	Crores	1.02	3.11
TNW	Crores	7.52	10.46
TOL : TNW	Times	0.92	1.29
Current Ratio	Times	1.97	1.65

### Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	Cash Credit	Long Term	12.00	BWR BB Outlook: Stable	BWR BB Outlook: Stable	NA	NA
2	Letter of Credit	Short Term	0.00	Rating Withdrawn	BWR A4+	NA	NA
	Total		12.00				

Status of non-cooperation with previous CRA (if applicable): Reason and comments: NA

Any other information: NA

Hyperlink/Reference to Applicable Criteria

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



**For any other criteria obtain hyperlinks from website**

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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