



Rating Rationale

Avon Meters Private Limited

16 Aug 2018

Brickwork Ratings assigns long term rating of BWR BBB with Stable Outlook and short term rating of BWR A3 for the bank loan facilities aggregating Rs. 110 crores of Avon Meters Private Limited ('AMPL' or 'the Company').

Particulars

Facility	Amount (Rs. Crs)	Tenure	Rating *
Fund Based Cash Credit	30.00	Long Term	BWR BBB [Pronounced as BWR Triple B] (Outlook Stable)
Non Fund Based ILC/FLC BG	25.00 55.00	Short Term	BWR A3 [Pronounced as BWR A Three]
Total	Rs. 110.00 Crores (INR One Hundred & Ten Crores Only)		

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

Long term and Short Term ratings assigned.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financial results upto FY18, projected financials upto FY20, publicly available information and clarifications provided by the Company.

The ratings, inter-alia, factor in the promoters' healthy track record in this industry coupled with established relationships with various state electricity boards at pan India level since 1995, adequate cash accruals along with comfortable coverage ratios reported over past three years, healthy revenue visibility owing to adequate confirmed order book position received for the current financial year and comfortable financial risk profile of the Company.

The ratings are, however, constrained by intense competition from other established players in this industry, operations are susceptible to raw material prices fluctuation and foreign exchange fluctuation risks on unhedged imports.



Analytical Approach

BWR has applied its rating methodology on a standalone basis, as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Key Rating Drivers

Credit Strengths

Experienced promoters with established track record: The Company benefits from the long term experience of the promoters with accreditation from 28 state electricity boards for participation in their tender bids. Mr. R.N. Gupta is an electrical engineer and a key promoter, who started this business in the year 1995. Prior to this business, he held various positions in Haryana Electricity Board and B.B.M.B. Other directors of the Company include Mr. Anil Gupta, Mr. Nikhil Goel and Mr. Natwar Goel.

Adequate cash accruals with comfortable coverage ratios: Interest cost & finance charges of the Company stood at the range of around Rs. 4.98 Cr for which it reported average EBITDA of ~ Rs. 10.23 Cr during the past three years. Further, due to absence of any secured term loans, the Company's liquidity position remains at comfortable level. ISCR and DSCR of the Company stood at 2.92x and 2.38x, respectively during FY18.

Moderate financial risk profile: The Company has not availed any secured term loans for its operations. Majority of sanctioned bank limits are non-fund based, for which it has provided adequate cash margins. As per ABS FY18, fixed deposits in the form of cash margins stood at Rs. 14.99 Cr. Gearing ratio stood at 1.11x with a TNW of Rs. 35.60 Cr in FY18. Further, gearing is expected to improve on account of absence of any proposed debt-funded capex plans.

Healthy revenue visibility for FY19: The total unexecuted order book position stood at Rs. 169.35 Cr as on 31.07.2018. It has participated for tenders worth Rs. Rs. 252.32 Crs. as on date. Further, tenders which are yet to be quoted by the Company is for around Rs. 268 Cr in this year.

Operational efficiencies: The Company has full fledged in-house R&D facilities. The R&D of the company has developed all the meters as per the requirements of the state electricity boards. The Company manufactures all printed circuit boards and moulded plastic casings with only the basic electronic components and electronic LED displays being imported.. The company has installed several fully automatic robotic machines for this purpose. The company has been approved by 29 state electricity boards for participation in tender bids.

Credit Weaknesses

Susceptible to raw material price fluctuation: Raw material cost contributes almost 80% of the total cost whereas orders from the state utilities are fixed in nature. Hence ability of the Company to pass on the price fluctuation risks to its customers remains the key rating sensitivity.

Foreign exchange fluctuation risks: Majority of the Company's raw material requirements are met through imports and thus its operations are exposed to fluctuation in foreign exchange. The



Company does not have any board approved FX hedging policy and thus its profitability may get impacted over the medium term. As per ABS FY18, there is an unhedged foreign currency exposure of Rs. 71.68 Cr.

About the Company

Avon Meters P. Ltd. (AMPL) was incorporated in June 1995 by Mr. Ram Niwas Gupta. It is engaged in the manufacturing of electronic single phase and three-phase electronics meters. The manufacturing facility is located at Focal Point, Industrial Area, Derabassi (Punjab), having total installed capacity of 40 Lakhs per annum (LPA) and 20 Lakhs per annum (LPA) of single-phase and three-phase electronic meters, respectively as on 31 March 2018. The Company supplies meters to around 29 state electricity boards, electrical equipment manufacturers and some private entities in their own brand name “AVON”. The Company procures orders mainly through participating in various tender bidsevery year.

Company’s Financial Performance

The turnover of the Company has increased from Rs. 205.42 Crs to Rs. 232.07 Crs during FY18. Further, EBITDA increased from Rs. 8.27 Cr to Rs. 15.32 Cr during FY18. It has reported a net profit of Rs. 8.03 Cr during FY18. The total tangible net worth of the Company stood at Rs. 35.60 Crs as against the total debt of Rs. 39.34 Cr during FY18. Total debt includes unsecured loans of Rs. 14.87 Cr availed from its directors and promoter’s companies during FY18.

Key financial indicators are summarized in Annexure I below.

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

Sl. No.	Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	Fund Based Cash Credit Limit	Long Term	30.00	BWR BBB (Stable)	N.A.	N.A.	N.A
2	Non Fund Based ILC/FLC BG	Short Term	25.00 55.00	BWR A3	N.A.	N.A.	N.A
Total			110.00	INR One Hundred & Ten Crores Only			

Hyperlink/Reference to applicable Criteria

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



- **Manufacturing Companies**

For any other criteria obtain hyperlinks from website

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Annexure I – Key Financial Indicators

Particulars	FY17 (A)	FY18 (A)
Total Operating Income (Rs. Crs)	205.42	232.07
EBITDA (Rs. Crs)	8.27	15.32
PAT (Rs. Crs)	2.83	8.03
Total tangible net worth (Rs. Crs)	27.62	35.60
Gearing Ratio (times)	1.27	1.11
Interest Coverage Ratio (ISCR) (times)	1.63	2.92

For print and digital media

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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, 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 leading public sector 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, 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

DISCLAIMER

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