



## Rating Rationale

Avon Meters Pvt. Ltd.

04 April 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities amounting to ₹ 150 Crores of Avon Meters Pvt Ltd ('AMPL' or 'the Company')

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Aug 2018)	Present
<b>Fund based</b> Cash Credit	30.00	35.00	<b>Long Term</b>	<b>BWR BBB</b> (Pronounced as BWR Triple B) <b>Outlook: Stable</b>	<b>BWR BBB</b> (Pronounced as BWR Triple B) <b>Outlook: Stable</b> (Reaffirmation)
<b>Non Fund Based</b> ILC/FLC BG	25.00 55.00	25.00 90.00	<b>Short Term</b>	<b>BWR A3</b> (Pronounced as BWR A Three)	<b>BWR A3</b> (Pronounced as BWR A Three) (Reaffirmation)
<b>Total</b>	<b>110.00</b>	<b>150.00</b>	<b>Rupees One Hundred and Fifty Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

**Ratings: Long term rating and Short term rating reaffirmed at BWR BBB (Stable)/A3**

### 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 the past three years, healthy revenue visibility owing to adequate confirmed order book position received for the current financial year and comfortable capital structure of the Company despite increasing over debt borrowings. BWR also takes



note of the satisfactory track record of executing its order book position received from various state electricity boards.

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

### **Liquidity position of the Company**

AMPL reports comfortable liquidity position on account of healthy cash accruals against its total interest cost obligations. AMPL is able to generate adequate turnover levels against its working capital limits availed. AMPL's cash & cash equivalent (including fixed deposits provided as a margin for non fund based limits) stood at around Rs. 15 Cr during FY18. However, AMPL continues to report high receivables position as it takes more than 120 days to recover its debtors due from various state electricity board. This position is partially supported by elongated credit period given by its suppliers. Going forward, any delays in realizing its outstanding debtors will increase its working capital requirements and thus may impact adversely to its liquidity position over the medium term.

### **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 the absence of any secured term loans, the Company's liquidity position remains at comfortable levels. 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 limits are non-fund based, for which it has provided adequate cash margins. As per ABSFY18, 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: AMPL estimates to achieve a turnover of above Rs. 280 Cr in the current financial year as it has the total unexecuted order book position of around Rs. 234.81 Cr and further, participating in significant number of tenders which reflects healthy revenue visibility over the medium



term. AMPL also availed additional Bank Guarantee limits in the current year for the purpose of executing its new orders received.

Operational efficiencies: The Company has a full fledged in-house R&D facilities. The R&D of the company has developed 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 costs contribute significantly to the total cost whereas orders from the state utilities are fixed in nature. Hence, the 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 fluctuations 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.

Elongated receivables position: The Company has an elongated receivables position of 184 days during FY18 as it takes minimum 120 days for bills to get cleared from the various state government electricity boards. Though high receivables are supported by having elongated credit period of around 90 to 120 days from its suppliers. Going forward, any delays in realising debtors will significantly impact its liquidity position over the medium term.

### **Analytical Approach**

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 Outlook: *Stable***

BWR believes the **Avon Meters 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**

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 electronic meters. The manufacturing



facility is located at Focal Point, Industrial Area, Derabassi (Punjab), having a 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 bids every 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 figures is summarized below:

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Operating Revenue	Rs. Crores	205.42	232.07
EBITDA	Rs. Crores	8.27	15.32
PAT	Rs. Crores	2.83	8.03
Tangible Net worth	Rs. Crores	27.62	35.60
Total Debt/Tangible Net worth	Times	1.27	1.11
ISCR	Times	1.63	2.92

### Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	16 Aug 2018	2017	2016

1	<b>Fund Based</b> Cash Credit	Long Term	35.00	<b>BWR BBB</b> (BWR Triple B) (Outlook Stable) (Reaffirmed)	<b>BWR BBB</b> (BWR Triple B) (Outlook Stable)	N.A.	N.A.
2	<b>Non Fund Based</b> ILC/FLC BG	Short Term	25.00 90.00	<b>BWR A3</b> (BWR A Three) (Reaffirmed)	<b>BWR A3</b> (BWR A Three)	N.A.	N.A.
<b>Total</b>			<b>150.00</b>	<b>₹ One Hundred and Fifty Crores Only</b>			

Status of non-cooperation with previous CRA - N.A.

Any other information: Nil

**Annexure I - Instrument/Bank Facility Details**

ISIN	Instrument/Facility	Date of Sanction/Renewal	Coupon Rate	Maturity Date	Amt. in Rs. Cr	Current Rating & Outlook
-	<b>Fund Based</b> Cash Credit	28 June 2018	10.2% p.a.	-	30.00	BWR BBB (Stable)
-	Cash Credit	18 Dec 2018	8.70% p.a.	-	5.00	BWR BBB (Stable)
-	<b>Non Fund Based</b> LC/BG	28 June 2018	-	-	80.00	BWR A3
-	BG	18 Dec 2018	-	-	15.00	BWR A3
-	BG	27 Dec 2018	-	-	20.00	BWR A3

Hyperlink/Reference to applicable Criteria

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



- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Ashwini Mital</i> <i>Director-Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	Relationship Contact
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

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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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