



## Press Release

### Advance Ventilation Private Limited

December 12, 2020

#### Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long term Bank Facilities	11.25	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Short Term Bank Facilities	51.50	IVR A3 (IVR A Three)	Assigned
<b>Total</b>	<b>62.75</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The aforesaid rating assigned to the long term & short term facilities of Advance Ventilation Private Limited (AVPL) derives comfort from its experienced promoters and management team with established track record of operations. The ratings also factor its healthy order book position indicating revenue visibility for short to medium term and its above average financial risk, marked by overall gearing (Adj.) of the company stood comfortable at 0.42x, and its satisfactory debt protection indicators of the company like interest coverage at interest coverage have at 2.67x in FY20 (2.4x in FY19). These rating strengths are partially offset by its volatility in raw material prices, exposure to intense competition, tender driven nature of business in highly fragmented & competitive sector.

#### Key Rating Sensitivities

##### **Upward revision factors:**

- Growth in scale of operations with improvement in profitability, and cash on a sustained basis.
- Manage working capital requirements efficiently with improvement in liquidity position.

##### **Downward revision factors:**

- Moderation in scale of operations or profitability impacting the liquidity profile
- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x.
- Withdrawal of unsecured loan of ~Rs.10.06 crore from the business.



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### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

**Experienced promoters and management team with established track record of operations:**

The promoters of the company are qualified and have extensive experience of over three decades in the civil construction industry. Such a long stint in the industry provides them with a competitive edge in establishing strong relationships with suppliers and customers. The company was formed in 1981 and has sailed smoothly through business cycles. Moreover, The Company is managed by qualified professionals having the requisite technical knowledge and skills thereby providing synergistic advantage to the company in terms of successful project execution and commissioning.

#### **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 and new customers. The unexecuted order book of the company stands at ~Rs. 223.65 Crores at present, giving medium to long term revenue visibility. Going forward, materialization of the already bided contracts and win of new contracts will be crucial for the company.

#### **Comfortable capital structure with healthy debt protection metrics**

The overall gearing (Adj.) of the company stood comfortable at 0.42x as on March 31, 2020. The debt protection indicators of the company like interest coverage have strong at 2.67x in FY20 (2.4x in FY19). Total Debt/GCA has improved from 6.71 years in FY19 to 4.40 years in FY20 mainly due to stable GCA and reduced debt levels. Further, total indebtedness of the company as reflected by TOL/ATNW remained comfortable at 1.77x as on March 31, 2020.

#### **Key Rating Weaknesses**

##### **Susceptibility of profitability to volatile input 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



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volatile and can affect the profitability of AVPL because of the fixed price nature of its contracts with the clients. However, some of the contracts (70-80% of the total contracts) executed by the company contain escalation clause but the same is not sufficient to guard against volatile input material price.

### **Tender driven nature of business in highly fragmented & competitive construction sector**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure sector is highly fragmented marked by presence of many players with varied statures & capabilities. Boom in the sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output. AVPL faces direct competition from various organized and unorganized players in the market. Economic vulnerability and regulatory risks in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company in the sector.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating methodology for manufacturing Companies

Financial ratios and Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

The liquidity profile of AVPL is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs.4.44-6.92 crore as against debt repayment obligation of ~Rs.1.05 Cr in FY21, ~Rs.0.56 Cr in FY22 and ~Rs.0.72 Crs in FY23. Moreover, the company has comfortable current ratio at above 1.43 times and Cash Equivalents level of ~Rs. 15.11cr (includes FD & margin money of Rs.13.85 Crs) as on March 31, 2020. The average working capital utilisation of the company remained moderate at ~67.35% during the past 12 months ended Sep, 2020 indicating liquidity buffer.



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Furthermore, the company has adequate gearing headroom for additional debt with an overall gearing of 0.42x as on March 31, 2020. Further, the company has not planned any major capex or availment of long-term debt plan which imparts comfort. Going forward, in case of substantial increase in revenue, enhancement in bank lines remains critical to efficiently manage liquidity.

### **About the Company**

Advance Ventilation Private Limited (AVPL) was incorporated in 1981. The Company's registered address is at Pitampura, New Delhi and a manufacturing plant at Kundli, Sonipat. AVPL is a leading Humidification, Ventilation and Air Conditioning (HVAC) solution system provider in the oil refineries, Petro-chemical Products complexes, oil and gas plants, and large capacity Hydro, thermal and 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.

### **Financials (Standalone Basis)**

For the year ended* / As On	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	77.94	85.36
EBITDA	6.40	6.69
PAT	2.83	3.15
Total Debt	21.54	17.03
Tangible Networth (Adjusted)	35.38	40.46
EBITDA Margin (%)	8.21	7.83
PAT Margin (%)	3.60	3.65
Overall Gearing Ratio (x)	0.61	0.42

\* Classification as per Infomerics Standards.

**Status of non-cooperation with previous CRA:** None

**Any other information:** N.A

**Rating History for last three years:**

S. No.	Name of Instrument/	Current Rating (Year 2020-21)	Rating History for the past 3 years
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	Facilities	Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based Bank Facilities	Long Term	11.25	IVR BBB- /Stable Outlook	-	-	-
2.	Non-Fund Based Bank Facilities	Short Term	51.50	IVR A3	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities - Cash Credit/WCDL	-	-	-	11.25	IVR BBB-/Stable Outlook
Short Term Bank Facilities – LC/BG	-	-	-	46.50*	IVR A3
Short Term Bank Facilities – Bill Discounting/DRUL	-	-	-	5.00	IVR A3

\*\* It includes letter of credit of Rs.1.00 Cr.