



## Press Release

Air Perfection

January 25, 2021

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	9.00	IVR BB/ Stable Outlook (IVR Double B with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	10.00	IVR A4 (IVR A Four)	Assigned
	<b>Total</b>	<b>19.00 (Nineteen Crore only)</b>		

Details of Facilities are in Annexure 1

### Detailed Rationale

The rating assigned to the bank facilities of Air Perfection draws comfort from its experienced promoters and long track of record, reputed clientele, growing scale of operations with Healthy Profitability and Satisfactory capital structure. However, these rating strengths are partially offset by its concentration risk and constitution as a partnership concern and tender based nature of business. The rating also considers their strong order book position reflecting satisfactory medium-term revenue visibility.

### Key Rating Sensitivities:

#### Upward Factor:

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics

#### Downward factor:

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or



## Press Release

stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Experienced Promoters and long track of record

Firm was founded by 3 partners Mr. Vikas Nema, Mr. Vikrant Nema and Mrs. Shashi Nema, who are also responsible for handling the day to day operations of the firm. The top management of the company is experienced with more 30 years of experience which has enabled the company to build good relations with suppliers and even the clients.

##### Reputed clientele

Air Perfection bids for tenders floated by various government departments/entities and caters to private players. Over the years of its operations, the firm has established a strong business relationship with various government departments as well as private clients. Air Perfection has worked on projects of various Govt organizations & PSUs such as Engineers India Ltd, Military Engineer Services, MP & CG PWD, Chhattisgarh State Power Transmission Co. Ltd, etc.

##### Strong order book position reflecting satisfactory medium-term revenue visibility

Air Perfection has a strong unexecuted order book of ~Rs. 51 crore as on December 31, 2020, which is about 1.66x of the total operating income reported in FY20 (Audited). The orders are expected to be completed by the end of FY22, indicating a satisfactory near to medium term revenue visibility.

##### Growing scale of operations with Healthy Profitability

Over the past few year (FY17-FY20), total operating income has increase by a CAGR of ~45%. Along with the increase in the total operating income, the company has maintained a healthy profitability with comfortable EBITDA and PAT margin. In FY20 the EBITDA and PAT margin



## Press Release

stood comfortable at 10.05% and 3.03%. Moreover, the cash accruals of the company steadily increased from Rs.1.68 crore in FY19 to Rs. 1.86 crore in FY20.

### **Satisfactory capital structure:**

Air Perfection has a moderate net worth stood at Rs. 8.52 crore as on March 31, 2020. The company has maintained a healthy long-term debt equity ratio and overall gearing ratio of 0.11x and 0.93x respectively as on March 31, 2020. The total indebtedness of the firm as reflected by TOL/ANW stood as 2.66x as on March 31, 2020. Total debt of the firm in FY20 comprises repayment of term loan is Rs 0.10 crore, term loan of Rs. 0.90 crore, unsecured loan from promoters/ relatives of Rs. 1.80 crore and bank borrowing of Rs 6.96 crore.

### **Key Rating Weaknesses**

#### **Concentration Risk and constitution as a partnership concern**

Client base of Air Perfection is skewed towards government departments in Madhya Pradesh. Further, Air Perfection is a regional player and all the projects are executed in Madhya Pradesh only which reflects geographical concentration risk. Furthermore, its constitution as a partnership concern leads to limited financial flexibility and risk of withdrawal of capital.

#### **Tender Based Nature of Business:**

Air Perfection receives most its work orders from government departments through tenders floated by the departments and based on its ability to secure these tenders amidst intense price war. Profit margin of the company may come under pressure because of this competitive nature of the industry. However, the promoters' long industry presence imparts comfort.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)



## Press Release

### Liquidity: Adequate

Air Perfection had a GCA of Rs. 2.14 crore in FY20 as against its repayment obligation of Rs. 1.97 crore and bank limits remained utilized to the extent of ~63% during the past 12 months ended November 2020 indicating an adequate liquidity buffer. The company has a Current Ratio of 1.32x as of March 31, 2020. The free cash & cash equivalent was Rs. 1.93 Crore as on November 30, 2020. Liquidity is expected to remain Adequate.

### About the Company

Air Perfection is a Partnership Firm established in the year 1991 and undertakes all kind of Mechanical, Electrical & Civil Works with expertise in the Electrical, HVAC & Refrigeration Industry, Elevators & Escalators having our operations in PAN INDIA. Having been a pioneer organization in this filed for nearly two and half decades, they are well known in the industry. Firm's two Partners are qualified Engineers with specialization in Refrigeration and Air Conditioning.

### Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	33.39	31.08
EBITDA	3.34	3.64
PAT	1.63	1.80
Total Debt	11.62	9.75
Tangible Net worth	4.67	6.72
EBITDA Margin (%)	10.00	11.72
PAT Margin (%)	4.87	5.77
Overall Gearing Ratio (x)	1.72	0.93

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Nil**



## Press Release

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		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.	Cash Credit	Long Term	9.00	IVR BB/ Stable			
2.	LC/BG	Short Term	10.00	IVR A4			

**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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## Press Release

### 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	-	-	-	9.00	IVR BB/ Stable
Short Term Bank Facilities– LC/BG	-	-	-	10.00	IVR A4