

Press Release

AVIS INDIA

6 February, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.20 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs.9.20 crore bank facilities of AVIS INDIA. The outlook is '**Stable**'.

Avis India, part of the Avis Group, is a Pune-based civil construction firm established in 1997 by Mr. Vijay Kulkarni. The firm, a licensed PWD contractor undertakes construction of sugar factories and water treatment plants in Maharashtra.

Key Rating Drivers

Strengths

- **Experienced management, long track record of operations**

The Avis group constitutes Avis India and Avis Projects and Infrastructure Private Ltd (APIPL). While Avis India constructs sugar factories, APIPL, incorporated in 2013 undertakes construction of industrial units. The day-to-day operations are led by Mr. Vijay Kulkarni who possesses three decades of experience in civil construction.

- **Moderate financial risk profile**

The Avis Group has moderate net worth of Rs.15.14 crore as on March 2017 compared to Rs 13.76 crore in the previous year. The total debt outstanding as on March 2017 stands at 20.35 crore. This includes long term secured loan amounting to Rs.14.30 crore of which Rs.6.35 crore constitutes loans against fixed deposits, long term unsecured loan amounting to Rs 0.87 crore and short term borrowings of Rs 5.57 crore as on March 2017. The gearing stood at 1.34 times in FY2017. The group has comfortable Interest Coverage Ratio (ICR) of 1.96 times in FY2017 as against 2.15 times in FY2016. The total outstanding liability to total net worth stood at 1.63 times for FY2017.

- **Healthy order book position**

The order book position is healthy with unexecuted orders in hand of approximately Rs. 83 crore as on 31 March 2017 that provides revenue visibility for the medium term. The firm is expected to execute projects worth Rs 63 crore in FY2018 and the remaining Rs 20 crore in FY2019. APIPL has booked revenue amounting to Rs 12 crore as on November 2017 and has order book of Rs 38 crore to be executed by March 2019.

Weaknesses

- **Moderate scale of operations**

The Avis group's scale of operations is moderate with operating income of Rs 37.00 crore in FY2017 as compared to Rs 46 crore in FY2016. Of the total operating revenue, Avis India contributed Rs 36.72 crore in FY2017. Avis India primarily caters to the sugar industry which is experiencing a slowdown. As a result the group is diversifying into construction of factories for other industries through APIPL. Going forward, a higher percentage of revenue is expected to be booked by APIPL. Hence, SMERA has considered a consolidated approach for Avis India.

• Working capital intensive operations

The operations are moderately working capital intensive reflected in the GCA days of 146 in FY2017 as compared to 122 days in FY2016. The GCA days are mainly dominated by debtors of 87 days in FY2017 as against 62 days in FY2016. The creditor's days stood at 35 in FY2017 as against 19 in FY2016. The inventory days stood at 23 days in FY2017 as against 44 days in FY2016.

Analytical Approach

SMERA has consolidated the business and financial risk profiles of Avis India and Avis Project and Infrastructure Private Limited together referred to as the Avis Group. The consolidation is owing to the common management, financial linkages and similarities in the lines of business.

Outlook: Stable

SMERA believes that the Avis group will maintain a Stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the firm continues to maintain its operating profitability and improve its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve profitability or if the financial risk profile deteriorates owing to lack of projects.

About the Group

The Avis group consists of Avis India - a proprietary firm and Avis Projects and Infrastructure Private limited (APIPL). Avis India, established in 1997 undertakes construction of sugar factories and water treatment plants in Maharashtra. APIPL, a private limited company incorporated in 2013 is engaged in the construction of factories and manufacturing units. The day-to-day operations of the group are managed by Mr. Vijay Kulkarni.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	37.00	46.00	41.03
EBITDA	Rs. Cr.	3.32	3.93	3.74
PAT	Rs. Cr.	1.46	2.04	1.98
EBITDA Margin	(%)	8.98	8.54	9.13
PAT Margin	(%)	3.93	4.44	4.82
ROCE	(%)	10.00	13.62	27.35
Total Debt/Tangible Net Worth	Times	1.34	1.34	1.33
PBDIT/Interest	Times	1.96	2.15	2.29
Total Debt/PBDIT	Times	5.50	4.16	3.78
Gross Current Assets (Days)	Days	146	122	168

Any other information

none

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.20	SMERA BB+ / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Swati Banthia Analyst - Rating Operations Tel: 022-67141116 swati.banthia@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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