

Guru HVAC: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	5.00	SMERA A4+ (Assigned)
Letter of Credit	2.00	SMERA A4+ (Assigned)

SMERA has assigned long term ratings of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 5.00 crore long term bank facility and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 7.00 crore short term bank facilities of Guru HVAC (GHVAC). The outlook is '**Stable**'.

The ratings draw support from the experienced management and long track record of operations. The ratings are also strengthened by the reputed clientele. However, the ratings are constrained by the small scale of operations, moderate financial risk profile, working capital intensive business and competitive nature of the HVAC (heating, ventilation and air conditioning) industry.

GHVAC, established in 2004, provides HVAC solutions to clients in IT, telecom, engineering, education and other industries. The proprietor, Mr. B.T Srinivasa Gowda, possesses over a decades experience in the aforementioned line of business. Some of the reputed clients include Infosys Limited, Siemens India, Max Retail to name a few. The firm caters to Lotus Mall in Mangalore, Mantri Builders Mall and Coca-cola factory in Vijaywada.

The firm's revenues have risen to Rs. 17.55 crore in FY2016 (provisional) from Rs. 9.25 crore in FY2015 due to increase in client acquisitions. While the firm has a track record of almost a decade, the revenues are modest. The moderate financial risk profile is marked by high gearing of 2.36 times and low networth of Rs 1.64 crore as on March 31, 2016 (Provisional) and comfortable debt protection metrics with interest coverage of 5.97 times as on March 31, 2016 (Provisional). GHVAC has working capital cycle of 101 days in FY2016 (provisional) which has deteriorated as against 44 days in FY2015. This is mainly due to increase in the receivable cycle which stood at 80 days in FY2016 (provisional) as compared to 67 days in FY2016 (provisional). The rating is also constrained by the intense market competition due to a number of unorganised players.

Rating Sensitivity Factors

- Significant improvement in revenue while maintaining profitability
- Effective working capital management
- Comfortable capital structure

Outlook – Stable

SMERA believes that GHVAC will maintain a stable outlook in the medium term backed by the promoters' experience and established relations with reputed clients. The outlook may be revised to 'Positive' if the firm registers more than expected revenues while improving profitability and net cash accruals. However, the outlook may be revised to 'Negative' if the firm fails to achieve the expected revenue, profitability or if the working capital cycle further deteriorates.

About the Firm

GHVAC (the erstwhile Shree Guru HVAC) was established as a partnership firm in 2004 and converted into a proprietorship concern in 2010. GHVAC is engaged in the business of providing heating, ventilation and air conditioning solutions. The day-to-day affairs are managed by Mr. H.R. Srinatha who is well supported by an experienced team of qualified professionals.

For FY2016 (provisional), GHVAC reported profit after tax (PAT) of Rs 0.74 crore on operating income of Rs. 17.55 crore as compared with PAT of Rs 0.55 crore on operating income of Rs 9.25 crore in the previous year.

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ABOUT SMERA

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