

Press Release

Aerotherm Products

June 20, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.70 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.9.70 crore bank facilities of Aerotherm Products (AP). The outlook is '**Stable**'.

AP established in 1986 by Mr. Ashutosh Shukla is engaged in the business of design and manufacture of heat and air transfer equipments. The firm is involved in design, develop, manufacture and erection of capital engineering equipment primarily used in processing industries like Refineries, Fertilizer Plants, Rayon and Fabric Industry, Pharmaceutical Industry, and other core and basic industries.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management:**

Aerotherm Products is a proprietary concern established in 1986. The Proprietor, Mr. Ashutosh Shukla has more than three decades of experience in manufacturing heavy engineering goods. The extensive experience of the proprietor has resulted into healthy relationship with customers and suppliers. AP has established business relationship with their customers with track of more than two decades.

- **Reputed customer base**

Some of the major customers include oil refineries likes Indian Oil Corporation (IOC), Oil and Natural Gas Corporation (ONGC), Alkyl Amines Chemicals Limited (AACL), to name a few and Government bodies likes Department of Atomic Energy where the firm has got the contract for providing equipment used in recycling of nuclear fuel.

Weaknesses

- **Modest scale of operations**

AP has modest scale of operations marked by operating income of Rs.8.70 crore for FY2017 as against Rs.11.56 crore in FY2016. Further in FY2017-18, the firm has recorded operating income of Rs.9.00 crore and at present the firm has order book position of Rs.10.00 crore.

- **Average financial risk profile**

AP has average financial risk profile marked by moderate gearing and coverage indicators. The gearing (debt-to equity) stood at 1.24 times as on 31 March, 2017 as against 1.58 times as on 31 March, 2016. Total debt mainly comprises of working capital borrowings amounting to Rs.4.12 crore. ICR (Interest Coverage Ratio) stood at 1.35 times for FY2017 as against 1.52 times for FY2016. Tangible Net worth stood at Rs.4.78 crore in FY2017 which reduced from Rs.5.04 crore in FY2016, this was on account of withdrawal of quasi-equity amounting to Rs.0.39 crore (Tangible net worth includes Rs.1.49 crore subordinated debt as quasi equity).

• Working capital intensive nature of operations

AP has working capital intensive nature of operations marked by GCA (Gross current assets) of 312 days in FY2017 as against 392 days for FY2016. This is on account of 234 days of inventory and 59 days of debtors for FY2017. WCC (Working capital cycle) days stood at 188 for FY2017 as against 241 for FY2016. Further, the average utilisation of working capital borrowings stood at ~80.00 percent for last six month from December 2017 to May 2018.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of AP to arrive at this rating.

Outlook: Stable

Acuite believes that AP will maintain a 'Stable' outlook over the medium term from its experienced management and established business relationship with customers and suppliers. The outlook may be revised to 'Positive' if the firm's scale of operations increases along with managing working capital efficiently. Conversely, the outlook may be revised to 'Negative' in case of deterioration in working capital.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	8.70	11.56	8.38
EBITDA	Rs. Cr.	1.31	1.69	1.64
PAT	Rs. Cr.	0.26	0.48	0.45
EBITDA Margin	(%)	15.04	14.58	19.58
PAT Margin	(%)	3.01	4.12	5.39
ROCE	(%)	10.63	13.75	30.54
Total Debt/Tangible Net Worth	Times	1.24	1.58	1.37
PBDIT/Interest	Times	1.35	1.52	1.47
Total Debt/PBDIT	Times	4.40	4.62	3.59
Gross Current Assets (Days)	Days	312	392	348

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
27-Apr-2017	Cash Credit	Long Term	6.00	ACUITE B+/Stable (Assigned)
	Packing Credit	Short Term	2.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	1.70	ACUITE A4 (Assigned)

***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	6.00	ACUITE B+/Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.70	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Salome Farren Analyst - Rating Operations Tel: 022-67141164 salome.farren@acuiteinratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.