

Press Release

Chicago Blower India Private Limited

July 13, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs.14.00 crore bank facilities of Chicago Blower India Private Limited (CBIPL). The outlook is '**Stable**'.

Chicago Blower India Private Limited (CBIPL) based at Ahmedabad (Gujarat) was incorporated in 2011. The company is a Group Company of 'Draft-Air India Pvt Ltd'. The company is leading manufacturer, supplier and exporter of a variety of fans and blowers for U.S.A. based Chicago Blowers Corporation. It caters to industry such as petrochemicals, refinery and milk processing to name a few. The manufacturing unit is located at Vatva GIDC area (Gujarat) with installed capacity of 2000 MTPA.

Key Rating Drivers

Strengths

- **Experienced management**

The key Promoter of CBIPL, Mr. Gunvant Panchal has over four decades of experience in same industry through his association with Draft Air India Pvt Ltd. (parent company) and other firms. Other Directors, Mrs. Mina Panchal, Mr. Prakash Panchal and Mr. Sainitesh Panchal also have over two decades of experience through their association with parent company and others in the same industry.

- **Healthy brand association and parent support**

CBIPL enjoys synergy from established brand and market position of 'Chicago Blowers Corporation (U.S.A.)' in the Indian market. It also benefits from the technical support provided by Chicago Blowers Corporation (U.S.A.). The company also is able to benefit from the established market position of the parent company 'Draft-Air India Private Limited'.

Weaknesses

- **Average financial risk profile**

The financial risk profile is marked by low net worth of Rs.0.75 crore as on 31 March, 2018 (Provisional) and Rs.0.40 crore as on 31 March, 2017. The gearing (debt-equity) stood high at 4.14 times as on as on 31 March, 2018 (Provisional) and 4.70 times as on 31 March, 2017. The Interest coverage ratio stood at 2.48 times in FY2018 (Provisional) and 2.44 times in FY2017. The Debt Service Coverage Ratio stood at 1.32 times in FY2018 (Provisional) and 1.04 times in FY2017.

- **Nascent stage of operations**

The company is exposed to risks related to nascent stages of operation which is reflected in its revenue profile. Further, the scale of operations is small as reflected in operating income of around Rs.7.69 crore for FY2018 (Provisional) and Rs.2.23 crore in FY2017. Further, operating margins have declined in FY2018 (Provisional) to 9.67 percent from 20.65 percent in FY2017.

- **High competition**

CBIPL operates in a highly competitive industry characterised by large number of established players affecting its margins. The company currently only sells products of one brand which restricts its market to certain extent.

Analytical Approach

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

Outlook: Stable

Acuité believes that CBIPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or further deterioration in financial risk profile due to debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.69	2.23	2.40
EBITDA	Rs. Cr.	0.74	0.46	0.39
PAT	Rs. Cr.	0.25	0.10	0.09
EBITDA Margin	(%)	9.67	20.65	16.29
PAT Margin	(%)	3.29	4.43	3.77
ROCE	(%)	18.67	11.20	10.48
Total Debt/Tangible NetWorth	Times	4.14	4.70	9.45
PBDIT/Interest	Times	2.48	2.44	2.41
Total Debt/PBDIT	Times	4.18	3.95	5.76
Gross Current Assets (Days)	Days	93	325	258

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

None

Any other information

Not Applicable

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)

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
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE B / Stable

Contacts

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About Acuité Ratings & Research:

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