

Press Release

Chicago Blower India Private Limited

November 22, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 20.21 crore (enhanced from Rs. 14.00 crores)
Long Term Rating	ACUITE B / Outlook: Stable (Reaffirmed and Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B** (read as **ACUITE B**) to the previously rated facility of Rs. 14.00 crore. Further, Acuité has also assigned the long term rating of '**ACUITE B** (read as **ACUITE B**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the additional facilities of Rs. 6.21 crore of Chicago Blower India Private Limited (CBIPL). The outlook is 'Stable'.

CBIPL, based at Ahmedabad (Gujarat) was incorporated in 2011. The company is a group company of 'Draft-Air India Private Limited'. 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 industries 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.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The key Promoter of CBIPL, Mr. Gunvant Panchal has over four decades of experience in the same industry through his association with Draft Air India Private Limited (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 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.2.00 crore (includes quasi capital in form of unsecured loan of Rs.1.18 crore) as on 31 March, 2018 and Rs.1.00 crore (includes quasi capital in form of unsecured loan of Rs.0.61 crore) as on 31 March, 2017. The gearing (debt-equity) stood at 1.48 times as on as on 31 March, 2018 and 1.27 times as on 31 March, 2017. The Interest coverage ratio (ICR) stood at 4.73 times in FY2018 and 2.44 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 4.31 times in FY2018 and 2.38 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. The scale of operations is small as reflected in operating income of around Rs.8.02 crore in FY2018 and Rs.2.23 crore in FY2017. Further, operating margins have declined in FY2018 to 10.44 percent from 20.65 percent in FY2017. Further, the company is undertaking expansion project with total cost of Rs.20.21 crore which is expected to be completed by April 2019 and it is currently delayed by five months. Acuité believes timely funding and completion of project will remain key sensitivity factor.

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 further delay in project execution is observed or further deterioration in financial risk profile due to debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	8.02	2.23	2.40
EBITDA	Rs. Cr.	0.84	0.46	0.39
PAT	Rs. Cr.	0.40	0.10	0.09
EBITDA Margin	(%)	10.44	20.65	16.29
PAT Margin	(%)	5.04	4.43	3.77
ROCE	(%)	18.20	11.20	19.88
Total Debt/Tangible Net Worth	Times	1.48	1.27	2.48
PBDIT/Interest	Times	4.73	2.44	2.41
Total Debt/PBDIT	Times	1.48	1.27	2.48
Gross Current Assets (Days)	Days	114	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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
13-Jul-2018	Proposed Long Term Loan	Long Term	14.00	ACUITE B / Stable (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
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE B / Stable (Reaffirmed)
Cash credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.06	ACUITE B/Stable (Assigned)
Proposed Cash credit	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE B/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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