

Press Release

Approcool Aircon Private Limited

August 08, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.50 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 plus**) on the Rs.8.50 crore bank facilities of APPROCOOL AIRCON PRIVATE LIMITED. The outlook is '**Stable**'.

Approcool Aircon Private Limited (AAPL), incorporated in 2017, is in the process of setting up a unit to manufacture Evaporator, Condenser Coils & Copper Tubular Components for Air conditioners and refrigeration systems in Jalna (Maharashtra). The Directors are Mr. Jitendra Bachhraj Rathi, Mr. Purushottam Bachhraj Rathi and Mr. Anil Satyanarayan Loya. The maximum installed capacity is expected to be 1.4 lakh units per annum for domestic applications and 25000 units per annum for commercial application. The project is a forward integration to the promoters existing business of manufacturing of copper tubular components and brazed assemblies for heating, ventilation, and air-conditioning industries and refrigeration systems carried out in Approcop Engineering Private Limited (AEPL). The project is expected to commence commercial operations by December 2018.

Key Rating Drivers

Strengths

- **Entrepreneurial experience of promoters:**

AAPL is promoted by Mr. Jitendra Bachhraj Rathi who has over a decade of experience in the industry. The project of AAPL is a forward integration of the promoters existing business under the company name of Approcop Engineering Private Limited. Strong operational linkages related to common suppliers and customers can be established. Acuité believes that the promoters established track record in the industry along with strong operational linkages with AEPL will support the business risk profile of the company.

Weaknesses

- **Project implementation risk:**

The company is setting up a unit in Jalna to manufacture Evaporator, Condenser Coils & Copper Tubular Components for Air conditioners and refrigeration systems at a project cost of Rs.12.70 crore to be funded through a term loan of Rs.8.50 crore and promoter's contribution of Rs.4.20 crore. The project is scheduled to commence operations from December, 2018. The project is at a finalization stage and as on date Rs.4.40 crore has already been incurred towards purchase of land and advances for machineries. The project has been funded through promoter's contribution and financial closure is pending. Acuité believes that timely completion of the project without any time and cost overruns will be the key rating sensitivity.

- **Offtake risk:**

AAPL will be manufacturing Coils & Copper Tubular Components for Air conditioners and refrigeration systems. The company is expected to face stiff competition from large and established players in this industry segment. Acuité believes that the company's ability to establish market presence will remain critical.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AAPL to arrive at the rating.

Outlook: Stable

Acuité believes that the outlook on AAPL will remain 'Stable' over the medium term as the company will continue to benefit on account of the strong operational support from established position in the electrical components segment. The outlook may be revised to 'Positive' in case AAPL is successful in achieving the Commercial operations date as per schedule. Conversely, the outlook may be revised to 'Negative' in case of significant time or cost overruns or any significant decline in credit profile of the parent company.

About the Rated Entity - Key Financials:

Not applicable since the unit is yet to commence production.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Cr.)	Ratings/Outlook
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE B+ / Stable (Assigned)

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About Acuité Ratings & Research:

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