

Press Release**Aventura Components Pvt Ltd.****May 31, 2018****Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1	Fund Based Facilities	14.00	IVR BBB+/ Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
2	Non Fund Based Facilities	81.00 (including proposed limits of Rs.19 crore)	IVR A2 (IVR A Two)	Assigned

Details of Facilities are in Annexure 1**Detailed Rationale**

The ratings derive strength from the experienced promoters, presence of reputed shareholders in the group, diversified offerings by the group and presence of the company in a niche product segment. The ratings further derive comfort from the group's reputed & diversified clientele, healthy growth in revenues and improvement in profitability, improving debt protection metrics and increasing potential of water sales.

The ratings, however, are tempered by working capital intensive nature of operations, volatility related to input costs and foreign exchange fluctuations and competitive and fragmented nature of industry.

Profitability, leverage and efficient management of working capital are the key rating sensitivities.

List of Key Rating Drivers

- *Experienced Promoter*
- *Presence of Reputed Shareholders in the group*
- *Diversified product offerings by the group*
- *Reputed and diversified clientele of the group*
- *Healthy growth in revenues and improvement in profitability*

- *Improving capital structure and debt Protection Metrics*
- *Increasing Potential of Water Sales*
- *Working Capital Intensive Nature of Operation*
- *Volatility related to input costs and foreign exchange fluctuations*
- *Competitive and Fragmented Nature of Industry*

Detailed Description of Key Rating Drivers

Key Rating Strengths:

Experienced Promoter

Mr. Sunil Ghorawat is the MD of Aventura Components Private Limited (ACPL). He has an experience of more than two decades of working in the water treatment and allied industries, wherein he has worked with Pentair, a reputed US based entity engaged in a similar line of business. He was also the prior Managing Director of the Indian operations of the entity. He is assisted in the day-to-day-affairs of the entity by a team of experienced professionals.

Presence of Reputed Shareholders in the group

ACPL is a subsidiary of Earth Water Limited (EWL), which enjoys the presence of reputed shareholders like CLSA as well as an Indian entity associated with a reputed group, who hold a small stake in EWL through their investment companies. Also, the investment entity of CLSA has been allotted compulsorily convertible preference shares in EWL.

Diversified product offerings of the Group

The group is an integrated, water sector player in India, offering solutions across the entire end-user spectrum. The Group is a leading implementer and systems integrator of projects, products and services in the water and wastewater treatment sector, with expertise in sewage recycling, sea water desalination and industrial zero liquid discharge/recovery solutions. The Group offers various types of components, and specializes in technical components, which requires significant technical and engineering capabilities and know-how.

Recently, the Group has forayed into water sales, through water ATMs and dispensers, under its brand “Waterpoint”, which are available at multiple locations, including railways, and urban and rural locations on a pan-India basis. Thus, the Group has

established a diversified presence across user-segments with multiple offerings, enabled by engineering technology solutions in the sector.

Reputed and diversified clientele of the group

The group has supplied small scale water equipments and undertaken EPC contracts for Reliance Group, Aditya Birla Group, Larsen & Toubro, Cairn Energy, Radisson Hotels, Siemens Limited etc in the past. Further, the group's top 10 customers including Government of Karnataka, Government of Andhra Pradesh, Government of Bihar, Government of Telangana, Adani Power and Cairn India, etc. accounted for around 35% of the group's total revenues during FY17, reflecting reputed and diversified clientele.

Healthy growth in revenues and improvement in profitability

The company's total revenues has increased from Rs.171.56 crore in FY16 to Rs.256.02 crore in FY17 (around Rs.305.52 crore in FY18) due to various certifications received from completion of earlier projects enabling the group to undertake various other projects. Also, increasing focus by the Government on sanitation and healthcare facilities has benefitted the group. Although moderate, the profitability margin of the company has improved from 3.80% in FY17 to 4.73% in FY18.

Improving capital structure and debt protection metrics

The company has a moderate capital structure with long term debt-equity and overall gearing ratio of 0.69x and 1.65x as on March 31, 2017 (estimated at 0.85x as on March 31, 2018). The interest coverage ratio also remains comfortable at 2.04x as on March 31, 2017. Overall Debt/GCA was moderate at 10.84x, although Long Term Debt/EBITDA was comfortable at 1.52x as on March 31, 2017, also the same are expected to improve to around 3.33x and 0.21x respectively as on March 31, 2018.

Increasing Potential of Water Sales

The Government of India is giving lot of thrust on availability of safe drinking water. The group by virtue of its experience in the water treatment and allied product industry is expected to benefit out of the steps being taken by the Government for the same. The group has already set up some water purification equipments and water vending machines on railway stations for providing packaged drinking water which have already started contributing a small portion to the revenues and profitability of the company. This is a

high margin segment for the group. The group is in the process of setting up further equipments, which reflects significant upside potential for the group.

Key Weaknesses:

Working Capital Intensive Nature of Operation

ACPL's average utilisation of its fund based limits for the past 12 months ended March 2018 stood at 91.80%. The company also had to rely on some adhoc limits during the same period. The collection period is high at around four-five months, primarily owing to orders from Government entities and civic bodies. The company also avails high credit period of around four months from its suppliers, reflecting working capital intensive nature of operation.

Volatility related to input costs and foreign exchange fluctuations

Stringent contractual terms like fixed price contractsexpose the company's profitability to risks related to any adverse fluctuation in the prices of primary raw materials like steel and cement. Out of the total raw material requirement for the group, around 30% is imported. The company does not have any fixed hedging policy in place, thus, the company's profitability may be impacted due to the depreciation of the rupee.

Competitive and Fragmented Nature of Industry

The water and water treatment industry in India is highly fragmented and relatively unorganized, due to the presence of a large number of small scale units leading to high competition in the industry. However, due to the diversification in operations and asset light business streams, this risk is mitigated to an extent. Ability of the company to maintain its profitability margins amidst growing scale of operation needs to be observed.

Analytical Approach &Applicable criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Parent and Group Support

About the Company

Aventura Components Private Limited (ACPL) is engaged in the assembling and supplying various types of water treatment equipments. The company is a subsidiary of EWL, which primarily consists of supplying various types of water treatment plants and equipments, and undertaking EPC projects for recycling waste water. Mr. Sunil Ghorawat is the MD of Aventura Components Private Limited (ACPL). He has an experience of more than two decades of working in the water treatment and allied industries, wherein he has worked with Pentair, a reputed US based entity engaged in a similar line of business. The company has its facility located at Faridabad, wherein it assembles various components which are used for its small scale equipments. EWL is the holding company of the group and has 4 direct subsidiaries at present: Aventura Components Pvt. Ltd. (83.62%), Geist Research Pvt. Ltd. (100%), Fontus Water PTE Ltd (100%) and Healthpoint Services Pvt. Ltd. (62.96%). Out of these, ACPL has substantial operations.

Financials (Standalone Basis)

(Rs. crores)

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Provisional)
Total Operating Income	256.02	305.52
EBITDA	9.73	14.44
PAT	2.99	6.96
Total Debt	35.24	24.11
Tangible Networth	21.35	28.31
EBITDA Margin (%)	3.80	4.73
PAT Margin (%)	1.17	2.28
Overall Gearing Ratio (x)	1.65	0.85

Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Mr. Alok Kumar Misra who is a member of the Board of Directors of INFOMERICS is reportedly likely to join the Board of EWL, which is ACPL's holding entity. He did not participate in any of the discussions and processes related to the aforesaid rating.

Rating History for last three years:

S. No.	Name of Instrument/	Current Rating (Year 2018-19)	Rating History for the past 3 years
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	Facilities	Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits	Long Term	14.00	IVR BBB+/ Stable Outlook	--	--	--
2.	Short Term Non-Fund Based Facilities (incl. proposed limit of Rs.19.00 crore)	Short Term	95.00	IVR A2			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits- Cash Credit	NA	NA	NA	14.00	IVR BBB+/ Stable Outlook
Short Term Fund based facilities- LC/BG/Buyer's Credit	NA	NA	NA	81.00 (including proposed 19.00)	IVR A2