Edgetech Air Systems Private Limited

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB-; Positive and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A3 and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB-; Positive / CARE A3' [Triple B Minus; Outlook: Positive/ A Three] assigned to the bank facilities of Edgetech Air Systems Private Limited (EASPL) with immediate effect. The above action has been taken at the request of Edgetech Air Systems Private Limited (EASPL) and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

The ratings take into consideration the comfort derived from experienced and resourceful promoters and established relationship of EASPL with reputed Original Equipment Manufacturers (OEM's). The ratings, further, continue to derive strength from improvement in operational performance during FY24 (refers to the period from April 01 to March 31) marked by steady growth in volumes and better sales realizations from the ventilation and air washer segment, rationalization of inventory levels leading to improved operational cash flows, comfortable financial risk profile characterized by low overall gearing and satisfactory debt coverage indicators. The ratings, however, continue to remain constrained by its elongated operating cycle, exposure to foreign currency fluctuation, susceptibility of profitability to volatile raw material prices, and highly fragmented and competitive nature of industry.

Analytical approach: Standalone

Outlook: Positive

The 'Positive' outlook reflects that the entity will continue to sustain its improvement in volume growth leading to profitable ramp up of operations with healthy ROCE and liquidity position. The outlook may be revised to 'Stable' in case of lower than envisaged improvement in operational performance and financial indicators.

Detailed description of the key rating drivers:

Key strengths

Experienced and resourceful promoters: EASPL, founded in January 2005 by Mr. R.P. Goel, is currently under the leadership of Chairman, Mr. R.P. Goel and Managing Director, Mr. Amit Goel (son of Mr. R.P. Goel.). Mr. R.P. Goel, holding a postgraduate degree from Punjab University, has over four decades of valuable industry experience. Mr. Amit Goel, a graduate from Delhi University, contributes more than two decades of expertise to the HVAC sector. The company's founders have consistently supported EASPL by injecting funds whenever necessary. The family's involvement has expanded with the addition of Mr. Aditya Goel (son of Mr. Amit Goel), pursuing marketing studies in a U.S. university, and Ms. Shweta Goel (wife of Mr. Amit Goel), a commerce graduate who oversees the company's administrative HR functions.

Established relations with reputed OEM's: Since 2005, EASPL has been actively engaged in the manufacturing of HVAC systems, cultivating strong partnerships with well-known Original Equipment Manufacturers (OEMs) such as Blue Star, Voltas, and others. In addition to manufacturing, the company has demonstrated its capabilities by effectively executing installations for clients across diverse sectors, encompassing hotels, pharmaceuticals, hospitals, telecom, automobile, and education.

Improvement in operational performance: The scale of operations (TOI) of EASPL has grown at a growth rate of ~25% over the past 2 fiscals ending FY24 and stood at Rs.356.76 crore with gross cash accruals (GCA) of Rs.17.67 crore during FY24 as against Rs.284.37 crore and Rs.7.38 crore respectively in FY23. The growth in scale was primarily driven by healthy volumetric growth in air handling units, driven by strong demand for the products coupled with improved after-sales service efficiency and better sales realization from the ventilation and air washer segment. Further, during H1FY25 (refers to the period from April 1, 2024 to September 30, 2024; based on provisional results), the scale of the company stood at Rs.161.90 crore and is expected to achieve a turnover in the range of ~Rs.380.00-400.00 crore for FY25.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Due to better realizations from ventilation and air washer units, PBILDT margin improved and stood at 7.45% in FY24 as compared to 4.74% in FY23. The PAT margin also improved and stood at 4.32% in FY24 as against 1.77% in FY23 backed in increased PBILDT levels. During H1FY25, the profitability margins of the company as marked by PBILDT and PAT margin further improved and stood at 8.94% and 5.80% respectively.

Comfortable financial risk profile: The company has a comfortable financial risk profile as marked by low gearing ratio and satisfactory debt coverage indicators of the company. The capital structure of the company as marked by overall gearing ratio has improved and stood at 0.49x as on March 31, 2024 as against 0.98x as on March 31, 2023 mainly on account of repayment of loans coupled with accretion of profits to net reserves. The debt coverage indicators of the company as marked by interest coverage ratio and total debt to GCA improved and remained satisfactory at 7.19x and 1.71x respectively, in FY24 (P.Y.: 2.54x and 6.16x respectively) on account of improvement in operating margins. As on September 30, 2024, gearing of the company further improved and stood at 0.22x.

Key weaknesses

Elongated operating cycle: Due to the working capital-intensive nature of its operations, the company's operating cycle, though showing improvement, remained relatively elongated at 63 days in FY24 (PY: 89 days). The company is a pre-approved vendor with many EPC players and other corporates including Airport Authority of India, GMR group, and Voltas, which in turn negotiate with EASPL and other technically qualified players for the supplies. The collection period from these entities ranges between 90-120 days which entails 30 days inspection of material post billing and elongates the overall operating cycle. However, the company has rationalized its inventory level which has eased some pressure on working capital borrowings as well. The company's ability to sustain efficient operating cycle with steady operational cash flows will remain a key monitorable.

Exposure to forex risk & raw material price volatility: Major raw materials used by EASPL are copper, steel, aluminium profiles and foils, iron sheets (painted and galvanized sheets), fans, air filters, and electric motors. The company strategically sources these raw materials from both domestic and foreign markets whereas imports constitute around ~10% of total purchase in FY24 (P.Y: ~9%). It is noteworthy that the company does not engage in hedging its foreign exchange exposure, given that the forex component represents a relatively small fraction of its overall procurement. Furthermore, the copper prices bear a high degree of negative correlation with the movement of dollar prices and thereby provide a natural hedge against any short-term adverse movement in copper prices. Other raw material requirements are majorly met domestically. EASPL enters into fixed price contracts with its customers and remains exposed to risk arising out of raw material price volatility as reflected in their volatile gross margins over the past years.

Highly fragmented and competitive nature of industry: The HVAC (Heating, Ventilation, and Air Conditioning) sector is marked by a high level of fragmentation, due to presence of numerous medium and small players striving to secure their respective portions of the market. Owing to intense competition among different players in the unorganized industry, the profitability margins in HVAC industry are relatively low.

Liquidity: Adequate

The liquidity position of the company remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company has reported net cash accruals (NCA) to the extent of Rs.17.67 crore during FY24 and is expected to generate envisage NCA of more than ~Rs.19.00 crore for FY25 against repayment obligations of Rs.2.65 crore in the same year. Further, the average utilization of its working capital limits stood low ~10%-20% utilized for the past 12 month's period ending February, 2025. EASPL's liquidity profile is also supported by sufficient buffer in the form of unutilized limits and unencumbered cash and bank balances which stood at Rs.3.75 crore as on September 30, 2024.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

Edgetech Air Systems Pvt Ltd (EASPL) was incorporated in January 2005 by Mr. R.P. Goel. The company is engaged in the manufacturing of Heating Ventilation and Air Conditioning (HVAC) components/equipment such as air handling units/solutions (AHU), fan coils and advanced coils which are used in comfort air conditioning for offices, hotels, malls, restaurants etc. EASPL has its manufacturing facility in Rohad, Haryana and Mundka, Delhi which are ISO 9001: 2008 and 14001: 2004 certified. EASPL sell its products under its own brand name as 'Edgetech' and operates through offices located in Delhi, Mumbai and Bangalore. EASPL also exports its products to Indian Subcontinent (Bangladesh, Nepal, Sri Lanka, and Bhutan) mainly through their own sales channels & African countries (South Africa, Kenya, and Nigeria) through dealers.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)*
Total operating income	284.37	356.76	161.90
PBILDT	13.48	26.56	14.47
PAT	5.03	15.41	9.39
Overall gearing (times)	0.98	0.49	0.22
Interest coverage (times)	2.54	7.19	10.12

A: Audited; Prov.: Provisional; Note: these are latest available financial results
*refers to the period from April 1, 2024 to September 30, 2024.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn
Term Loan-Long Term		-	-	August, 2028	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BBB-; Positive (02-Apr-25)	1)CARE BBB-; Positive (07-Feb-24)	1)CARE BBB-; Stable (05-Jan-23)	1)CARE BB+; Stable (17-Feb-22)
2	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A3 (02-Apr-25)	1)CARE A3 (07-Feb-24)	1)CARE A3 (05-Jan-23)	1)CARE A4+ (17-Feb-22)
3	Term Loan-Long Term	LT	-	-	1)CARE BBB-; Positive (02-Apr-25)	1)CARE BBB-; Positive (07-Feb-24)	1)CARE BBB-; Stable (05-Jan-23)	1)CARE BB+; Stable (17-Feb-22)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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