

January 22, 2025

Edgetech Air Systems Private Limited: [ICRA]BBB(Stable)/[ICRA]A3; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based - Cash Credit	37.25	[ICRA]BBB(Stable); assigned
Short Term - Non-Fund Based	12.75	[ICRA]A3; assigned
Total	50.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned ratings consider Edgetech Air Systems Private Limited's (Edgetech) growing scale of operations and established market position, along with the promoters' long experience in the heating, ventilation and air conditioning (HVAC) industry. This is further supported by technical competencies of the company, enabling it to cater to diverse client segments and its strong order book, which provides healthy revenue visibility. The revenues of Edgetech rose at a CAGR of 18.2% between FY2020 and FY2024, supported by healthy demand from various end-user client segments such as schools, colleges, hospitals, residential buildings etc. The revenue growth has also been accompanied by improvement in the operating profit margin (OPM) to 7.4% in FY2024 from 5.1% witnessed in FY2023. This apart, ICRA also notes healthy capital structure, characterised by a low gearing of 0.7 times and comfortable debt coverage indicators, marked by an interest coverage of 7.1 times as on March 31, 2024. ICRA also favourably factors the company's long relationships with clients, enabling it to generate healthy chunk of its business from its existing clientele.

The ratings, however, remain constrained by the company's moderate scale of operations. Also, the operations are working capital intensive in nature, which may further increase, given the planned capacity expansion in the near term. In addition, Edgetech's profitability remains exposed to volatility in raw materials and foreign exchange prices in the absence of a hedging policy. ICRA also factors in the presence of stringent competition in the highly fragmented market, which may impact the company's profitability, going forward.

The Stable outlook on Edgetech's long-term rating reflects ICRA's opinion that the company will continue to leverage experience of its promoters and benefit from its long relationship with its clients.

Key rating drivers and their description

Credit strengths

Established presence in HVAC industry with long relationships with clients – The company has been operating in the HVAC industry for more than two decades and its promoters have extensive experience in the industry. The promoters have healthy and long relationships with its existing clientele, which helps them in generating repeat business and also enables the company to leverage the same in acquiring new customers.

Consistent revenue growth and improving profit margins – The company's revenue has witnessed a CAGR of ~18% between FY2020 and FY2024. The company has already achieved ~Rs. 161 crore of revenue in H1 FY2025 and is expected to record a revenue growth of 5-10% in the current fiscal. The profit margins have also increased consistently with its OPM improving from 5.1% in FY2023 to 7.4% in FY2024 and further to 8.3% in H1 FY2025 (provisional). Its margins are expected to remain rangebound, going forward.

Healthy capital structure and comfortable debt coverage metrics –The company has managed to reduce its working capital borrowings and maintain low debt levels on the back of Edgetech’s improving top line and stable profitability. The total debt of the company stood at ~Rs. 22 crore as on September 30, 2024 against ~Rs. 30 crore as on March 31, 2024. The decline in debt levels is directly related to realisation of debtors after March as Q4 is the highest revenue generating quarter for the company. Overall, the capital structure and debt metrics have remained comfortable, supported by low debt levels coupled with consistent increase in net worth and profitability.

Credit challenges

Moderate scale of operations – The company’s revenue stood at ~Rs. 357 crore in FY2024, which increased by ~25% from Rs. 285.4 crore in FY2023. While the revenues are expected to improve continuously, the overall scale is likely to remain moderate in the near-to-medium term.

Exposure to volatility in raw material prices and foreign exchange rate fluctuations– Edgetech’s profit margins remain susceptible to fluctuations in the prices of its key inputs. However, any major variation in the input prices is passed on to most of its end-customers. As ~10% of the total purchases of the company is denominated in foreign currencies, Edgetech’s profitability remains exposed to fluctuation in foreign exchange rates in absence of a hedging mechanism.

Highly fragmented market amid intense competition – The market of HVAC remains largely fragmented amid stringent competition from local domestic players as well as MNCs. However, the company’s ability to consistently generate repeat business from its existing set of clients mitigates the risk to a certain extent.

Liquidity position: Adequate

Edgetech’s liquidity position remains adequate with moderate cash flow from operations against annual repayment obligation of Rs. 2.65 crore and Rs. 2.77 crore in FY2025 and FY2026, respectively. Further, the company had cash and bank balances worth ~Rs. 4 crore as of September 2024 along with the cushion in working capital facilities, which stood at ~Rs. 23 crore on an average in 12 months ending in October 2024. The company also plans to undertake capex in FY2026 worth Rs. 16-17 crore, which would be funded through a mix of term debt and internal accruals.

Rating sensitivities

Positive factors – The rating could be upgraded in case of a significant scale-up in revenues while maintaining liquidity and profitability of the company.

Negative factors – The rating could witness a downward revision in case of any adverse impact on the revenue/ profitability of the company leading to deterioration in liquidity and debt protection metrics. Further, any sizeable debt backed capex leading to an adverse impact on the liquidity position of the company can also trigger a downward rating revision. Specific credit metric for downgrade includes Total Debt/OPBITDA higher than 2.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company’s standalone financial profile.

About the company

Edgetech Air Systems Pvt. Ltd. (EASPL/Edgetech) was incorporated in January 2005 by Mr. R.P. Goel and is now being managed by his son, Mr. Amit Goel. The company manufactures HVAC components/equipment such as air handling units/solutions, fan coils and advanced coils, which are used in comfort air conditioning for offices, hotels, malls, restaurants, among others. Edgetech's manufacturing facilities are in Rohad, Haryana, which is ISO 9001: 2008 certified. Edgetech also has a rented manufacturing facility in Telangana and has plans to further expand through setting up an owned plant by March 2026.

Edgetech has consolidated production capacity of 13,800 AHUs, 2,000 air ventilation units, 1,100 air washers and 12,000 fan coil units. Edgetech markets its products under the brand, Edgetech, and operates through offices located in Delhi, Mumbai and Bangalore.

Key financial indicators (audited)

	FY2023	FY2024	H1 FY2025*
Operating income	285.4	356.6	160.7
PAT	5.0	15.4	8.3
OPBDIT/OI	5.1%	7.4%	8.3%
PAT/OI	1.8%	4.3%	5.1%
Total outside liabilities/Tangible net worth (times)	3.9	2.9	2.1
Total debt/OPBDIT (times)	3.5	1.1	0.8
Interest coverage (times)	2.7	7.1	9.2

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Jan 22, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based - Cash Credit	Long term	37.25	[ICRA]BBB (Stable)	-	-	-	-	-	-
Non-Fund Based	Short Term	12.75	[ICRA]A3	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - Fund Based - Cash Credit	Simple
Short Term - Non-Fund Based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long Term - Fund Based - Cash Credit	NA	NA	NA	37.25	[ICRA]BBB (Stable)
NA	Short Term - Non-Fund Based	NA	NA	NA	12.75	[ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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