

Press Release

Enestee Engineering Limited

June 04, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 105.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB+/Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.105.00 crore bank facilities of Enestee Engineering Limited.

The rating is driven by continuous over drawings in the cash credit facilities for more than 30 days and delays in servicing of interest and principal obligations on its term loan facilities for more than 15 days. The delays in debt servicing is attributed to stretch in its liquidity on account of elongated working capital cycle, and delays in realisations from its clientele.

The Nagpur-based Enestee Engineering Limited (EEL), incorporated as a private limited company in 2005 was converted into a public limited company in 2010. EEL is in manufacturing and fabrication of steel structures and heavy equipments on engineering-procurement-construction (EPC) basis. It is promoted by Mr. Madhu Nair and led by Board of Directors comprising technocrats with extensive experience in the engineering field.

Key Rating Drivers

Weaknesses

- Delays in debt servicing**

The rating is driven by continuous over drawings in the cash credit facilities for more than 30 days, delays in payment of interest and principal obligations on its term loan facilities for more than fifteen days.

- Below-average financial risk profile**

EEL's financial risk profile is marked by high gearing and total outside liabilities to total network (TOLTNW) though underpinned by moderate net worth. Its gearing is high at 2.44 times as of March 31, 2017; high attributed to working capital intensive operations with high gross current asset (GCA) days of over 270 days for the past two years through FY2017 (refers to financial year, April 1st to March 31st). Also, its TOLTNW is high at about 4.4 times as of March 31, 2017. Acuite believes that the financial risk profile continues to be below-average on the back of working capital intensive operations, and long manufacturing and commissioning cycle.

Strength

- Experienced management**

The management of EEL possesses experience of over four decades in the manufacturing and fabrication of steel structures, heavy engineering equipment. Currently, it is managed by the second generation entrepreneur Mr. Sandeep M Nair. EEL's expertise is in erection and fabrication of structures for super thermal power plants; the same is reflected in terms of its clientele - Tata

Projects Ltd, Bharat Heavy Electricals Ltd (BHEL) across their projects. EEL's longstanding presence has supported in winning repeat orders from its clientele; it has unexecuted order book position of about Rs.176.0 crores for services (erection and commissioning) and about Rs.146.0 crores for supply of material as of April 30, 2018. Acuite believes that EEL enjoys the long operational track record in sustaining its revenue profile over the medium term.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of EEL.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	193.68	181.95	169.77
EBITDA	Rs. Cr.	19.35	16.28	15.89
PAT	Rs. Cr.	2.27	2.17	1.48
EBITDA Margin	(%)	9.99	8.95	9.36
PAT Margin	(%)	1.17	1.19	0.87
ROCE	(%)	12.49	13.11	11.92
Total Debt/Tangible Net Worth	Times	2.44	2.66	2.98
PBDIT/Interest	Times	1.49	1.36	1.61
Total Debt/PBDIT	Times	4.66	5.40	4.99
Gross Current Assets (Days)	Days	277	274	242

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Entities In Infrastructure Sector - <https://www.acuite.in/criteria-infra.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. Cr.)	Ratings/Outlook
27 th March 2017	Cash Credit	Long Term	29.35	ACUITE BB+ / Stable (Reaffirmed)
	Term Loan	Long Term	3.69	ACUITE BB+ / Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BB+ / Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB+ / Stable (Reaffirmed)
	Letter of Credit	Short Term	16.96	ACUITE A4+ (Reaffirmed)

03 rd December 2015	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BB+ / Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BB+ / Stable (Assigned)
	Term Loan	Long Term	6.25	ACUITE BB+ / Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE BB+ / Stable (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	3.75	ACUITE BB+ / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	29.35	ACUITE D (Downgraded from ACUITE BB+/Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.69	ACUITE D (Downgraded from ACUITE BB+/Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE D (Downgraded from ACUITE BB+/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE D (Downgraded from ACUITE BB+/Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	16.96	ACUITE D (Downgraded from ACUITE A4+)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE D (Downgraded from ACUITE A4+)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE D (Downgraded)

					from ACUITE A4+)
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About Acuité Ratings & Research:

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