

Industrial Boilers Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	7.50	SMERA BB/Stable (Assigned)
Bank Guarantee	2.50	SMERA A4+ (Assigned)
Letter of Credit	2.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned Rs.12.00 crore bank facilities of Industrial Boilers Limited (IBL). The outlook is '**Stable**'.

The ratings derive comfort from the experienced management, reputed customer base and long term relations with customers. The ratings are also supported by the comfortable financial risk profile, long track record of operations and strong order book position. However, the ratings are constrained by the uneven revenues, slowdown in the capital goods industry and foreign exchange fluctuation risk.

IBL, incorporated in 1997 is engaged in the manufacture of industrial boilers. The company is headed by Mrs Homai Engineer, Mr Rohinton Engineer and Mr Cyrus Engineer, Directors with around 20 years of experience in the industry. The company's reputed customer base includes ONGC, United Spirits Limited, Renuka Sugar Limited among others. The current orders in hand as on July 2016 are worth Rs.75.86 crore.

IBL has comfortable financial risk profile marked by healthy ICR of 4.31 times in FY2016 (Provisional), comfortable gearing of 0.33 times (Provisional) as on 31 March, 2016 which improved from 0.68 times in the previous year. The (profit after tax) PAT margins stood at 2.64 per cent on operating income of Rs.60.77 crore in FY2016.

However, the revenue of the company registered a decline from Rs.77.99 crore in FY2015 to Rs.60.77 crore (Provisional) in FY2016. This uneven trend was also evident in the EBITDA margins that fell to 6.79 per cent (Provisional) in FY2016 from 7.75 per cent in FY2015 mainly due to industrial slowdown. The capital goods production contracted by 2.9 percent in FY2016 according to the Index of Industrial Production (IIP) numbers. The company has around 25 percent of its revenue coming from exports and this exposes the margins of the company to foreign exchange fluctuation risk.

Rating Sensitivity Factors

- Scaling up operations
- Sustained improvement in profitability

Outlook-Stable

SMERA believes that IBL will maintain a stable outlook in the medium term owing to its experienced management and established relations with customers and suppliers. The outlook may be revised to 'Positive' in case IBL is able to achieve significant growth in revenue and profitability on sustainable basis. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

IBL, incorporated in 1997 is engaged in the manufacture of industrial boilers of capacities ranging from 6TPH to 50TPH at Vapi Industrial Township. The company is headed by Mrs. Homai Engineer (Chairperson and Managing Director).

For FY2015-16, the company registered profit after tax (PAT) of Rs.1.60 crore (Provisional) on operating income of Rs.60.77 crore as against PAT of Rs.2.79 crore on operating income of Rs.77.99 crore in FY2014-15.

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ABOUT SMERA

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