

Press Release

INDUSTRIAL BOILERS LIMITED

08 March, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating to '**SMERA BB+**' (read as SMERA BB plus) from '**SMERA BB**' (read as SMERA double B) and reaffirmed short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 12.00 crore bank facilities of INDUSTRIAL BOILERS LIMITED. The outlook is '**Stable**'.

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).

Key Rating Drivers

Strengths

- **Established operational track record and experienced management**

Industrial Boilers Limited was set up in 1975 in Vapi by Mr. Husi Engineer. Currently headed by Mrs. Homai Engineer, she has 42 years of experience in the industry. Mr. Rohinton Engineer and Mr. Cyrus Engineer joined in as Directors in 1993 and have around two decades of experience in the industry. IBL backed by their experienced management has been able to generate healthy relations with various reputed clientele comprising ONGC, United Spirits Limited, Renuka Sugar Limited among others.

- **Healthy financial risk profile**

The company has healthy financial risk profile marked by networth stood at Rs.19.55 crore as on 31 March 2017 as against Rs.17.89 crore as on 31 March 2016. The gearing remains comfortable at 0.49 times as on 31 March 2017 as against 0.41 times as on 31 March 2016. The total debt of Rs. 9.60 crore mainly consists of working capital limit of Rs. 5.61 crore. Debt protection metrics remained healthy as interest coverage ratio (ICR) stood at 6.33 times for FY2017 as against 4.38 times in previous year. TOL/TNW stood comfortable at 2.20 times as on 31 March 2017 as compared to 2.37 times in the previous year. Going forward, gearing is expected to remain comfortable in the medium term on account of absence of external borrowings.

- **Healthy Order Book position**

IBL has healthy order book of Rs.70.00 crore as on February 2018 which assures the revenue visibility in near to medium term. Most of them are expected to be completed within FY2018 itself.

Weaknesses

- **Uneven Revenues**

IBL have recorded operating income of Rs.69.93 crore in FY2017 as against the operating income of Rs.60.55 crore in FY2016 and Rs.77.99 crore in FY2015. Further, company has already registered Rs.48.00 crore from April 2017 to January 2018.

- **Foreign Exchange Fluctuation Risk**

The company has around 25% of its revenues coming from exports to countries like Bangladesh, Sri Lanka,

Malaysia, Australia and Africa etc. This exposes the margins of the company to foreign exchange fluctuation risk.

Analytical Approach

SMERA has considered standalone financial and business risk profile of the company to arrive at the rating

Outlook: Stable

SMERA believes the outlook on rated facilities will remain stable over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers growth in revenues and profit margins. The outlook maybe revised to 'Negative' in case of deterioration in the group's capital structure, or in case of significant decline in the revenues and profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	69.93	60.55	77.99
EBITDA	Rs. Cr.	4.49	4.63	6.05
PAT	Rs. Cr.	1.65	-1.01	2.79
EBITDA Margin	(%)	6.41	7.65	7.75
PAT Margin	(%)	2.36	-1.67	3.57
ROCE	(%)	10.61	9.20	32.61
Total Debt/Tangible Net Worth	Times	0.49	0.41	0.68
PBDIT/Interest	Times	6.33	4.38	5.12
Total Debt/PBDIT	Times	1.72	1.38	1.93
Gross Current Assets (Days)	Days	123	137	176

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

Not available

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Oct-2017	Cash Credit	Long Term	INR 7.5	SMERA BB
	Bank Guarantee	Short Term	INR 2.5	SMERA A4+
	Letter of Credit	Short Term	INR 2	SMERA A4+
23-Sep-2016	Cash Credit	Long Term	INR 7.5	SMERA BB / Stable

	Bank Guarantee	Short Term	INR 2.5	SMERA A4+
	Letter of Credit	Short Term	INR 2	SMERA A4+

*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	7.50	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Vishal Choudhary Senior Analyst - Rating Operations Tel: 022-67141159 vishal.choudhary@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.