

Press Release

Industrial Boilers Limited

May 21, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs.12.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB+/Stable)
Short Term Rating	ACUITE A3 (Upgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.12.00 crore bank facilities of Industrial Boilers Limited (IBL). The outlook is '**Stable**'.

The upgrade is in view of significant growth in revenues of the company in FY2019 and healthy financial risk profile. Acuite believes, going ahead, the company will sustain the growth in revenues over the medium term.

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).

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the IBL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established presence in boiler industry**

The promoter, Mrs. Homai R Engineer has an extensive experience in the boiler segment for more than four decades. She is equally supported by second generation management comprising of Mr. Rohinton R Engineer and Mr. Cyrus R Engineer, who have experience of more than two decades in the industry. The extensive experience of the promoters and the established presence in the industry has helped the company to generate healthy relations with various customers and suppliers in both domestic as well as global market. The company has pan India presence and has global customer base spread across Nairobi, Thailand, Bangladesh, Myanmar among others.

IBL generated revenues of Rs.92.78 crore for FY2019 (Provisional) and has a healthy order book position of around Rs.70.00 crore as on 30 April, 2019 which gives revenue visibility over near term.

Acuite believes that IBL will continue to benefit from the management's established presence in the industry and its improving business risk profile over the medium term.

- **Healthy financial risk profile**

IBL has healthy financial risk profile marked by moderate net worth, healthy gearing and debt protection matrices. The net worth stood at around Rs.21.28 crore as on 31 March, 2018 as against Rs.19.55 crore as on 31 March, 2017. The gearing of IBL stood healthy at 0.44 times as on 31 March, 2018 as compared to 0.49 times as on 31 March, 2017. The total debt of Rs.9.41 crore as on 31 March, 2018 mainly consists of term loan of Rs.3.88 crore, unsecured loans of Rs.1.05 crore and working capital borrowings of Rs.4.48 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.39 times as on 31 March, 2018 as against 2.20 times as on 31 March, 2017 mainly on account of high customer advances. Interest Coverage Ratio (ICR) stood at healthy at 6.70 times in FY2018 as compared to 6.33 times in FY2017 mainly on account of low interest cost and stable operating margins.

Acuite believes that the company will maintain its financial risk profile over near to medium term in absence of any major debt funded capex plans.

Weaknesses

- **Working capital intensive nature of operations**

IBL's operations are working capital intensive marked by Gross Current Asset (GCA) of 205 days in FY2018 compared to 123 days in FY2017. The GCA days are mainly dominated by high inventory of 97 days for FY2018 as against 49 days for FY2017. The inventory as on 31 March, 2018 mainly consists of work in progress on account higher production cycle of boilers. The debtors stood in the range of 40- 60 days.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Exposure to volatility in raw material prices and foreign exchange**

Around 20 percent of IBL's revenues comes from exports while the company procures the raw materials domestically, thereby rendering it to the risk associated with foreign exchange fluctuations for the unhedged portion of exports. IBL is also exposed to volatility in the steel prices as it contributes to around 50 percent of total raw material cost.

Liquidity position:

IBL has healthy liquidity position marked by healthy cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.5-3.5 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.40-0.80 crore over the same period. The operations are working capital intensive marked by Gross Current Asset (GCA) of 205 days in FY2018 compared to 123 days in FY2017. The average working capital limits utilisation stood at ~70 percent for the past six months ended April 2019. The current ratio stood moderate at 1.14 times as on 31 March, 2018.

Outlook: Stable

Acuite believes that IBL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	59.24	69.93	60.55
EBITDA	Rs. Cr.	4.62	4.49	4.63
PAT	Rs. Cr.	1.73	1.65	(1.01)
EBITDA Margin	(%)	7.80	6.41	7.65
PAT Margin	(%)	2.92	2.36	(1.67)
ROCE	(%)	10.52	11.74	9.20
Total Debt/Tangible Net Worth	Times	0.44	0.49	0.41
PBDIT/Interest	Times	6.70	6.33	4.38
Total Debt/PBDIT	Times	1.76	1.72	1.38
Gross Current Assets (Days)	Days	205	123	137

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments-<https://www.acuite.in/view-rating-criteria-20.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
08-Mar-18	Cash Credit	Long term	7.50	ACUITE BB+/ Stable (Upgraded)
	Bank Guarantee/ Letter of Guarantee	Short Term	2.50	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
26-Oct-17	Cash Credit	Long term	7.50	ACUITE BB (Indicative)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Indicative)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Indicative)
23-Sept-16	Cash Credit	Long term	7.50	ACUITE BB/ Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+/Stable)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 (Upgraded from ACUITE A4+)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Upgraded from ACUITE A4+)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head- Corporate and Infrastructure Sector Tel:022-49294041 aditya.gupta@acuite.in</p> <p>Avadhoot Mane Senior Analyst - Rating Operations Tel: 022-49294052 avadhoot.mane@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294022 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: *An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.*