

Press Release

Industrial Boilers Limited

February 23, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.50	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	7.50	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	12.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and the short-term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs.12.00 crore bank facilities of Industrial Boilers Limited (IBL). The outlook is 'Stable'.

Rationale for rating reaffirmation

The rating reaffirmation consider the comforts drawn from experience of management and healthy financial risk profile. Acuite expects the business profile and scale of operations is likely to improve over the medium term. However, the rating remains constrained on account of intensive working capital operations, declining scale of operations and profitability margins and exposure to volatility in raw material prices.

About the Company

IBL is a Mumbai based company incorporated in 1997. The company 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), Mr. Rohinton R Engineer and Mr. Cyrus R Engineer.

Analytical Approach

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

Key Rating Drivers

Strengths

Established management and established track record of operations.

IBL was incorporated in 1997. 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 a global customer base spread across Nairobi, Thailand, Bangladesh, Myanmar, among others.

Acuité 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

The financial risk profile of the company stood healthy marked by moderate net worth, low gearing and, moderate debt protection metrics. The tangible net worth stood at Rs.29.50 crore as on March 31, 2021 as against Rs.29.25 crore as on March 31, 2020. The total debt of the company stood at Rs.10.55 crore includes Rs.3.95 crore of long term debt, Rs.1.10 crore of unsecured loans and Rs.5.50 crore of short term debt as on March 31, 2021. The IBL follows a conservative financial policy which is reflected through its low gearing (debt-equity) of 0.36 times as on March 31, 2021 and 0.40 times as on March 31, 2020. Interest Coverage Ratio stood at 3.60 times for FY2021 as against 5.60 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 3.66 times for FY2021 as against 6.52 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.57 times as on March 31, 2021 as against 1.43 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.19 times for FY2021 as against 0.41 times for FY2020.

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

Weaknesses

Working capital intensive nature of operations

The working capital management of the company is intensive marked by GCA days of 202 days in FY2021 as against 153 days in FY2020. The inventory days stood at 128 days in FY2021 as against 98 days in FY2020. The elongation in inventory days is on account higher production cycle of boiler. Also, the debtor days stood at 53 days in FY2021 as against 39 days in FY2020. The average bank limit utilization stood low at around 44 percent for the last 8 months ended January 2022.

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

Uneven revenue and profitability trend

The company witnessed a decline in its revenues and profitability margins in FY2021. The revenues declined to Rs.67.75 crore in FY2021 as against Rs.77.10 crore in FY2020 mainly on account of Covid-19 pandemic. The operating margins declined to 2.75 percent in FY2021 as against 5.33 percent in FY2020 and PAT margins declined to 0.37 percent in FY2021 as against 4.14 percent in FY2020.

However, the company has recorded a revenue of Rs.72.35 crore till January 2021 and has an order in hand of Rs.91.57 crore to be executed in FY2022-23.

Acuité believes that the ability of the company to sustain and improve its scale of operations along with profitability will be a key rating sensitivity.

Exposure to volatility in raw material prices and foreign exchange

Around 20 percent of IBL's revenues come 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.

Rating Sensitivities

Improvement in the scale of operation and profitability margins

Further stretch in the working capital management leading to any negative impact on the liquidity profile.

Material covenants

None.

Liquidity Position: Adequate

The company has adequate liquidity marked by low bank limit utilisation and adequate net cash accruals. The company generated cash accruals of Rs.0.25-0.70 crore during the last three years through 2019-21, as against maturing debt obligation in the range of 0.14-0.20 during the same period. The current ratio of the company stood at 1.22 times as on March 31, 2021. The average bank limit utilization stood low at around 44 percent for the last 8 months ended January 2022. However, the company's working capital operation stood intensive marked by GCA days of 202 days in FY2021 as against 153 days in FY2020.

Outlook: Stable

Acuité 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 a decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	67.75	77.10
PAT	Rs. Cr.	0.25	3.19
PAT Margin	(%)	0.37	4.14
Total Debt/Tangible Net Worth	Times	0.36	0.40
PBDIT/Interest	Times	3.60	5.60

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

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Nov 2020	Cash Credit	Long Term	7.50	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
21 May 2019	Cash Credit	Long Term	7.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Upgraded from ACUITE A4+)

	Letter of Credit	Short Term	2.00	ACUITE A3 (Upgraded from ACUITE A4+)
08 Mar 2018	Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE BB+ Stable (Upgraded from ACUITE BB)
26 Oct 2017	Cash Credit	Long Term	7.50	ACUITE BB (Issuer not co-operating*)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Issuer not co-operating*)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Issuer not co-operating*)
23 Sep 2016	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

Lender's Name	ISIN	Facilities	Date of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 Reaffirmed

*Sublimit of CC- PCFC/FDBP/FDBN/PCL of Rs.2.00 crore.

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About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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