

**Press Release**  
**Industrial Boilers Limited**

**February 24, 2023**

**Rating Reaffirmed**



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

**Rating Rationale**

Acuite 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 takes into account the long and established track record of operations along with experienced management of the company. Further, the rating also factors in the augmentation in business risk profile of the company owing to increase in production and sales of boilers led by increase in demand from both domestic and international markets. The company has achieved stable operating performance with ~37% YoY growth in revenue amounting to Rs.92.96 crore in FY2022 as against Rs.67.75 crore in FY2021. Also, the company has unexecuted order book position of ~Rs.130 crore from the domestic market and export orders of ~USD 0.10 crore (Rs.8.27 crore) in hand as of January 2023 providing steady revenue visibility in near term. Furthermore, the rating also derives comfort from moderate financial risk profile and adequate liquidity position of the company. However, the rating remains constrained on account of intensive working capital operations and exposure to volatility in raw material prices and shipping cost.

**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**

Acuite 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 long standing 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.

### >Moderate financial risk profile

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing (debt-equity) and comfortable debt protection metrics. The tangible net worth stood at Rs.30.25 crore as on 31 March 2022 as against Rs.29.50 crore as on 31 March, 2021. The total debt of the company stood at Rs.13.40 crore which includes short-term debt of Rs.7.74 crore, long-term debt of Rs.4.31 crore and unsecured loans of Rs.1.35 crore as on 31 March, 2022. The gearing (debt-equity) of the company remain low at 0.44 times as on 31 March 2022 as compared to 0.36 times as on 31 March, 2021. The debt protection metrics remained comfortable marked by Interest Coverage Ratio of 3.97 times for FY2022 as against 3.60 times for FY2021 and Debt Service Coverage Ratio (DSCR) of 2.39 times in FY2022 as against 3.66 times in FY2021. The Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.00 times as on 31 March, 2022 as against 1.57 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.17 times for FY2022 as against 0.19 FY2021.

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 operations of the company remained working capital intensive marked by high GCA days of 228 days in FY2022 as against 219 days in FY2021. The high GCA days is majorly on account of high inventory holding period which stood at 120 days for FY2022 as against 128 days for FY2021. The elongation in inventory days is on account of higher production cycle of boilers. Also, the debtor days of the company stood at 55 days for FY2022 as against 53 days for FY2021. The company generally follows a policy of payment against proforma invoice and generally gets the payment before dispatch of the material. Furthermore, the creditor days of the company stood at 82 days for FY2022 as against 110 days for FY2021. However, the average utilization of the working capital limits remains moderate at ~50% per cent for past nine months ended December 2022.

Acuité believes that working capital management will remain a key rating sensitivity in order to maintain a stable credit profile over the medium term.

#### >Exposure to volatility in raw material prices and foreign exchange

Out of the total revenue of IBL, around 20-30 percent of its 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. Also, the operating profit margin remain stagnant and low at 2.74 percent in FY2022 compared against 2.75 percent same period last year. The profitability of the company remains susceptible towards volatility in steel prices which constitutes ~50 percent of the total raw material costs.

### **Rating Sensitivities**

- Improvement in the scale of operation and profitability margins
- Stretch in the working capital management leading to deterioration in credit profile

### **Material covenants**

None.

### **Liquidity Position: Adequate**

The company's liquidity position is adequate, marked by adequate net cash accruals against its maturity debt obligations. The company generated net cash accruals in the range of Rs.1.96-Rs.4.83 Crore from FY 2020- 2022 against its maturity repayment obligations in the range of Rs.0.35-Rs.0.45 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.2.83-3.57 crores against the maturing repayment obligations of Rs.0.27-0.34 crore over the medium term. However, the operations of the company remain working capital intensive marked by GCA days of 228 days in FY2022 as against 219 days in FY2021. The average of utilization of the working capital facilities stood at 50% per cent for past 09 months ended December 2022. The company maintains unencumbered cash and bank balances of Rs.2.95 crore as on March 31, 2022. The current ratio stands at 1.26 times as on March 31, 2022 as against 1.28 times as on 31 March, 2021.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

### Outlook: Stable

Acuité believes that IBL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. 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.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	92.96	67.75
PAT	Rs. Cr.	0.75	0.25
PAT Margin	(%)	0.80	0.37
Total Debt/Tangible Net Worth	Times	0.44	0.36
PBDIT/Interest	Times	3.97	3.60

### 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-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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Feb 2022	Bank Guarantee	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
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)

## Annexure - Details of instruments rated

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

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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