

**Press Release**  
**Industrial Boilers Limited**  
**May 24, 2024**  
**Rating Upgraded**



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

**Rating Rationale**

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE Triple B**) from '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) and the short-term rating to '**ACUITE A3+**' (read as **ACUITE A Three Plus**) from '**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 Upgrade**

The upgrade in the rating reflects an overall improvement in the business and financial risk profile of the company. The improvement in the business risk profile is reflected through the increased scale of operations in FY2023 as compared to previous years. The company has recorded an operating income of Rs.135.84 crore in FY2023 as against Rs.92.96 crore in FY2022. The improvement in revenue is majorly due to increase in sales of the boilers domestically and internationally along with better price realisation of the same. Further, for FY2024 (YTD), the company had achieved revenue of Rs.194.53 crore. Also, the company has local orders of Rs.165 Crore and Export order of 5.00 Crore in hand as of April 2024 which is expected to be executed within 1-2 years providing revenue visibility over the medium term. The rating also reflects improvement in the profitability margins and adequate liquidity. The operating margins stood at 4.52 percent in FY2023 as against 2.74 percent in FY2022. Also, the PAT margins improved and stood at 2.46 percent in FY2023 as against 0.80 percent in FY2022. Further, the rating also draws comfort from moderate financial risk profile 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.

**Unsupported Rating**

Not Applicable

**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.

### **Improved operating performance**

The operating performance of IBL continued to improve as the company generated a revenue of Rs.135.84 crore in FY2023 as against Rs.92.96 crore in FY2022. The improvement in revenue is majorly due to increase in sales of the boilers domestically and internationally along with better price realisation of the same. Further, for FY2024 (YTD), the company had achieved revenue of Rs.194.53 crore. The boilers so manufactured by IBL are used in different industries like Textile, Chemical, Sugar, Pharmaceutical, Paper and many other Processing industries, hence there is seen a continuous demand of this industrial product. Also, the company has local orders of Rs.165 Crore and Export order of 5.00 Crore in hand as of April 2024 which is expected to be executed within 1-2 years providing revenue visibility over the medium term. Further, the operating margins stood at 4.52 percent in FY2023 as against 2.74 percent in FY2022. Also, the PAT margins improved and stood at 2.46 percent in FY2023 as against 0.80 percent in FY2022.

Acuité believes that the company is likely to sustain its revenue and maintain its 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, moderate gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs.33.58 crore as on 31 March 2023 as against Rs.30.25 crore as on 31 March, 2022. The total debt of the company stood at Rs.13.67 crore which includes short-term debt of Rs.7.69 crore, long-term debt of Rs.4.38 crore, unsecured loans of Rs.1.36 crore and CPLTD of Rs.0.25 crore as on 31 March, 2022. Further, the company has made an enhancement in the fund-based limits to Rs.11 Cr. from Rs.7.50 Cr. and reduced non-fund-based limits to Rs.4.00 Cr. from Rs.4.50 Cr. in April 2024. The gearing (debt-equity) stood at 0.41 times as on 31 March 2023 as compared to 0.44 times as on 31 March, 2022. Interest Coverage Ratio stood at 7.09 times for FY2023 as against 3.97 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 4.36 times in FY2023 as against 2.39 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.36 times as on 31 March, 2023 as against 2.00 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.35 times for FY2023 as against 0.17 times FY2022.

Acuité believes that the company may 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 even though the GCA days improved to 201 days in FY2023 as against 228 days in FY2022. The debtor days stood at 44 days in FY2023 as against 55 days in FY2022. The company generally follows a policy of payment against proforma invoice. The company generally gets the payment before dispatch of the material. The Creditor days stood at 61 days in FY2023 as against 82 days in FY2022. The inventory days stood at 124 days in FY2023 as against 120 days in FY2022. The elongation in inventory days is on account of higher production cycle of boilers due to which the GCA days are intensive in nature.

Acuité believes that working capital operations of the company may continue to remain intensive considering the nature of the business wherein inventory turn around period is high.

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

Out of the total revenue of IBL, around 10 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 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

### **Liquidity Position**

#### **Adequate**

The company's liquidity position is adequate, marked by moderate net cash accruals against its maturity debt obligations. The company generated net cash accruals in the range of Rs.1.96-4.80 Crore from FY 2021- 2023 against its maturity repayment obligations in the range of Rs.0.35-0.45 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.6.77-9.51 crore against the maturing repayment obligations of Rs.0.30-0.60 crore over the medium term. The working capital management of the company is intensive marked by improved GCA days of 201 days in FY2023 as against 228 days in FY2022. Average fund-based utilization stands at around 60-65 percent and average non-fund-based utilization stands at ~40% for the last 06 months ended January 2024. The company maintains unencumbered cash and bank balances of Rs.3.45 crore as on March 31, 2023. The current ratio stands at 1.24 times as on March 31, 2023 as against 1.26 times as on 31 March, 2022.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	135.84	92.96
PAT	Rs. Cr.	3.34	0.75
PAT Margin	(%)	2.46	0.80
Total Debt/Tangible Net Worth	Times	0.41	0.44
PBDIT/Interest	Times	7.09	3.97

### 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

In order to inform the investors about complexity of instruments, Acuite 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
24 Feb 2023	Bank Guarantee/Letter of 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)
23 Feb 2022	Bank Guarantee/Letter of 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)

## 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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A3+   Upgraded ( from ACUITE A3 )
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A3+   Upgraded ( from ACUITE A3 )

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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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