



Press Release
Phils Heavy Engineering Private Limited
October 31, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	67.43	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	57.57	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	125.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Ba**) and the short term rating of ‘**ACUITE A3+**’ (read as **ACUITE A three plus**) on Rs.125.00 crore of bank facilities of Phils Heavy Engineering Private Limited (PHEPL). The outlook is ‘**Stable**’.

Rationale for rating recommendation

The rating reaffirmation considers PHEPL’s experienced management with an established track record of operations and its association with reputed clientele such as IOCL, GAIL India Limited amongst others. Further, the financial risk profile continues to remain healthy with healthy net worth, low gearing and comfortable debt protection metrics. However, the operating income declined to Rs.47.20 Cr. in FY2024 from Rs.73.87 Cr. in FY2023, primarily, on account of delay in order execution. PHEPL operates in a niche business segment with longer gestation period, with considerable degree of customization involved leading to volatility in its scale of operations. Also, the operating margin declined to 20.04% in FY2024 from 27.24% in FY2023 primarily due to lower absorption of costs. However, PHEPL has a moderate orderbook position of Rs.121 Cr. as of September 2024, reflecting revenue visibility in the near to medium term. Further, despite moderation in operating performance, PHEPL’s financial risk profile remains healthy with low reliance on external debt and adequate liquidity position.

The rating continues to remain constrained on account of PHEPL’s intensive nature of working capital operations. Going ahead, the ability of the company to improve its scale of operations and profitability margins while improving and maintaining an efficient working capital cycle along with healthy financial risk profile will be key monitorable.

About the Company

Phils Heavy Engineering Private Limited is a Mumbai based company incorporated in 1992 promoted by Mr. P.V. Philip. The company started its operations as Phils Engineering Corp in 1971. It is engaged in the manufacturing of medium sized to heavy equipment such as heat exchangers, pressure vessels, columns for petrochemicals, gas, fertilizer, chemical, and refineries Industries. The company has accreditation of QMS- ISO 9001:2008, EMS- ISO 14001:2004, OHSAS 18001: 2007, ASME ‘U’ & ‘U2’, NBS ‘R’.

Mr. Varghese Philip and Mr. Ajay Kurian Philip are the directors of the company.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management with an established track record of operations and reputed clientele

PHEPL is promoted by Mr. Varghese Philip and Mr. Ajay Philip. The promoters have a combined experience over 30 years in the heavy engineering industry. The top management of the company is aided by an equally experienced second line of management personnel. The company has been able to establish a long and healthy relationships with reputed clients like Bharat Petroleum Corporation Limited, Dangote Petroleum Refinery & Petrochemicals, Indian Oil Corporation Limited, Linde India owing to the promoter's rich experience and the long track record of operations.

Acuité believes PHEPL will continue to benefit from its experienced management with an established track record of operations and its reputed clientele.

Healthy financial risk profile

The financial risk profile of PHEPL is healthy, marked by healthy net worth, debt protection metrics and negligible debt levels. The tangible net worth of the company stood improved at Rs.103.28 Cr. as of March 31, 2024, as against Rs.97.40 Cr. as of March 31, 2023, due to accretion to reserves. The gearing (debt-equity) stood lower at 0.01 times as of March 31, 2024, as against 0.04 times as of March 31, 2023. The interest coverage ratio and DSCR stood healthy at 9.74 times and 6.61 times for FY2024 as against 9.26 times and 3.38 times for FY2023. The net cash accruals to total debt ratio stood improved at 9.37 times for FY2024 as against 15.10 times for FY2023. The TOL/TNW stood improved at 0.21 times for FY2024 as against 0.25 times for FY2023. The Debt-to-EBITDA ratio stood improved at 0.07 times for FY2024 as against 0.19 times for FY2022.

Acuité believes that the financial risk profile of PHEPL will remain healthy over the medium term due to its low debt levels, healthy tangible net worth, and comfortable debt protection metrics.

Weaknesses

Sales and orderbook position

PHEPL reported a decline in its revenue of Rs.47.20 Cr. in FY2024 as against Rs.73.87 Cr. in FY2023 which is a decline of ~36 percent. The decline in revenue is due to delay in order execution and dispatch of the equipment. The company generated revenue of ~12 Cr from unexecuted orderbook of previous year. Further, till August 2024, company has booked revenue of Rs.17.89 Cr. Going forward, as of September 2024, company has an unexecuted order book of ~Rs.121 Cr. which is expected to be executed by FY26. The order values remain highly volatile as it is completely dependent upon the customers requirement as per their expansion plans if any, of setting up a new refinery unit.

Acuité believes that ability of PHEPL to improve its scale of operations and profitability will remain a key rating sensitivity factor.

Working capital intensive operations

The working capital operations of PHEPL continues to remain working capital intensive in nature marked by its Gross Current Assets (GCA) of 343 days for FY2024 as against 206 days for FY2023. The operations of the company are project based and the gestation period is around 8-12 months due to which the work in progress inventory of the company is usually high. The company receives around 40 percent of the advance payments from the customers and the remaining is received upon completing the dispatch of the orders, however considering the high gestation period, the balance receivables also get affected and therefore the debtors cycle remains elongated. The debtor days stood at 75 days in FY2024 against 81 days in FY2023. The inventory days stood at 191 days as on March 31, 2024 as against 85 days as on March 31, 2023. The creditor days stood at 328 days as on March 31, 2024 as against 166 days as on March 31, 2023.

However, the reliance on working capital limits remained moderate at ~49 percent utilisation. for 6 months' period ended September 2024.

Acuité believes that the ability of PHEPL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Rating Sensitivities

- Any further elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.
- Ability to increase its scale of operations and improve profitability along with further increasing its order book position.

Liquidity Position

Adequate

PHEPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals of Rs.9.37 Cr. during FY2024 against nominal debt repayment obligation during the same period. The working capital operations of the company are intensive marked by its gross current asset (GCA) days of 343 days for FY2024. However, the reliance on working capital limits stood moderate with average ~49% utilization of the working capital limits for 6 months ended September 2024. Current ratio stands at 3.68 times as on 31 March 2024. The company has maintained cash & bank balance of Rs.5.22 Cr. in FY2024.

Acuité believes that the liquidity of PHEPL is likely to remain adequate over the medium term on account of generation of moderate cash accruals against nominal repayment obligations and buffer available from the moderately utilised working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	47.20	73.87
PAT	Rs. Cr.	6.18	12.00
PAT Margin	(%)	13.09	16.25
Total Debt/Tangible Net Worth	Times	0.01	0.04
PBDIT/Interest	Times	9.74	9.26

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Aug 2023	Term Loan	Long Term	0.12	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	63.31	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	2.25	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	4.12	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	6.20	ACUITE A3+ (Reaffirmed)
12 May 2022	Working Capital Demand Loan (WCDL)	Long Term	0.30	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.49	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	18.81	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	23.80	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	34.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.60	ACUITE A3+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A3+ Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.12	Simple	ACUITE A3+ Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.25	Simple	ACUITE A3+ Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.20	Simple	ACUITE A3+ Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	61.43	Simple	ACUITE BBB Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Mar 2028	1.00	Simple	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2027	1.02	Simple	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	26 Mar 2027	0.86	Simple	ACUITE BBB Stable Reaffirmed
THE ZOROASTRIAN CO-OPERATIVE BANK LIMITED	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Jul 2026	0.12	Simple	ACUITE BBB Stable Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Anuja Bele Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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.

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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.