

Press Release

ESSOBIGI ENGINEERS PRIVATE LIMITED

June 22, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.45 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 5.45 crore bank facilities of ESSOBIGI ENGINEERS PRIVATE LIMITED. The outlook is 'Stable'.

Essobigi Engineers Private Limited (EEPL) was incorporated in 1987 by Mr. Anil Ahuja and Ms. Nishi Ahuja. EEPL is engaged in executing turnkey projects for both government and private clients. They execute projects of fire protection and oil pipeline in industrial sector. The designing of the projects are done by EEPL. The materials are procured from vendors approved by the clients. They have reputed client base like Indian Oil Corporation Limited, Vardhman Spinning & General Mills Limited, to name a few.

Key Rating Drivers

Strengths

- Moderate financial risk profile**

The financial risk profile of the company is marked by modest net worth, comfortable gearing and comfortable debt protection metrics. The net worth levels of the company stood at Rs.2.50 crore as on 31 March, 2017 compared to Rs.2.30 crore as on 31 March, 2016. The gearing stood at 0.05 times as on 31 March, 2017 as against 0.47 times as on 31 March, 2016. The total debt consists of only short term debt amounting to Rs.0.12 as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 2.57 times in FY2017 as against 2.94 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 2.13 times in FY2017 as against 2.39 times in FY2016. The total outside liabilities to tangible net worth (TOL/TNW) stood at 0.96 times in FY2017.

- Long operational track record and experienced management**

EEPL is engaged in executing turnkey projects for both government and private clients. They execute projects of fire protection and oil pipeline in industrial sector since 1987. The promoters possess extensive experience in the industry and the day-to-day operations are managed by Mr. Anil Ahuja. He is a qualified engineer who has around 35 years of experience before which he was employed in other companies acquiring around 6-7 years of experience in this line of business.

Weaknesses

- Working capital intensive business**

The operations are working capital intensive marked by Gross Current Asset days (GCA) of 121 in FY2017 as against 117 for FY2016. The debtor and inventory days stood moderate at 34 and 12 days. The high GCA days are on account of high current assets at Rs.2.01 crore.

- Small Scale of operations**

EEPL has small scale of operations marked by operating income of Rs.9.44 crore for FY2017 as against Rs.9.87 crore for FY2016 in spite of being in existence for about 35 years. The operations are tender based. The company has reported an operating income of Rs.14.87 crore (Provisional).

Analytical Approach

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

Outlook: Stable

Acuite believes that the outlook on EEPL will remain 'Stable' over the medium term on account of its long track record of operations and experience of the proprietor. The outlook may be revised to 'Positive' if the company registers significant and sustainable growth in revenue and increases its scale of operation. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	14.87	9.44	9.87
EBITDA	Rs. Cr.	0.73	0.52	0.61
PAT	Rs. Cr.	0.39	0.20	0.26
EBITDA Margin	(%)	4.94	5.46	6.13
PAT Margin	(%)	2.63	2.15	2.59
ROCE	(%)	18.56	18.13	17.20
Total Debt/Tangible Net Worth	Times	0.88	0.05	0.47
PBDIT/Interest	Times	3.69	2.57	2.94
Total Debt/PBDIT	Times	3.19	0.20	1.60
Gross Current Assets (Days)	Days	143	121	117

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.45	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4

Contacts

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About Acuité Ratings & Research:

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