

## Press Release

Essobigi Engineers Private Limited

July 22, 2019



### Rating Upgraded

<b>Total Bank Facilities Rated*</b>	Rs. 5.45 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable (Upgraded from ACUITE B+)
<b>Short Term Rating</b>	ACUITE A4+ (Upgraded from ACUITE A4)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long-term rating of 'ACUITE B+' (read as ACUITE B plus) to 'ACUITE BB-' (read as ACUITE double B) and short term rating of 'ACUITE A4' (read as ACUITE A four) to 'ACUITE A4+' (read as ACUITE A four plus) to the Rs. 5.45 crore bank facilities of Essobigi Engineers Private Limited (EEPL). The outlook is 'Stable'.

The rating upgrade reflects improvement in EEPL's business and financial risk profile. The operating income has seen a steady growth over the years and has increased to Rs. 17.33 crore in FY2019 (Provisional) as against Rs. 14.81 crore in FY2018 and Rs. 9.43 crore in FY2017. The upgrade also reflects company's healthy financial risk profile marked by moderate net worth, gearing and debt protection metrics.

New Delhi-based, ESSOBIGI Engineers Private Limited (EEPL) was incorporated in 1987 by Mr. Anil Ahuja and Ms. Nishi Ahuja. The company is engaged in executing turnkey projects of fire protection and oil pipeline in industrial sector for both government and private clients. The designing of projects are done by EEPL itself. EEPL has a reputed client base like Indian Oil Corporation Limited, Vardhman Spinning & General Mills Limited to name a few.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced track record of operations and experienced management**

EEPL was incorporated in 1987 by Mr. Anil Ahuja and Ms. Nishi Ahuja, and has a long track record of operations. The promoters possess an experience of over three decades in the aforementioned industry. Backed by their experience they have been able to maintain long term relations with their customers. Acuité believes the company will benefit from its experienced management which helps the company in maintaining long standing relations with reputed customers and suppliers, such as, Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Vardhman Spinning & General Mills Limited among others.

- **Healthy Financial Risk Profile**

EEPL has healthy financial risk profile marked by moderate net worth, and healthy debt protection metrics. The company's net worth stood at Rs. 4.70 crore as on March 31, 2019 (Provisional) as against Rs. 3.29 crore as on March 31, 2018, owing to comfortable accretion to reserves due to healthy profitability. Gearing levels (debt-to-equity) stood at 0.43 times as on March 31, 2019 (Provisional) as against 0.80 times as on March 31, 2018. Further, the interest coverage ratio stood at 14.22 times for FY2019 (Provisional) as compared to 7.73 times for FY2018. Total outside liabilities to total net worth

(TOL/TNW) stood at 0.80 times as on FY2019 (Provisional) vis-à-vis 1.67 times as on FY2018. Acuité believes that financial risk profile of the company is likely to remain healthy over the medium term on account of healthy net worth and healthy debt protection metrics.

- **Moderate working capital operations**

EEPL has moderate working capital operations marked by gross current assets (GCA) of 75 days in FY2019 (Provisional). This is on account of inventory holding of 16 days in FY2019 (Provisional) as against 42 days in FY2018 and debtors collection period of 15 days in FY2019 (Provisional) as against 64 days in FY2018. The average cash credit utilization for the past six months stood at ~85 percent. Acuité believes that EEPL will continue to effectively manage its working capital cycle on account of level of inventory to be maintained and the credit given to its customers.

### **Weaknesses**

- **Small scale of operations**

The operations of the company are small despite the company being in the line of business for more than three decades. The revenue stood at Rs.17.33 crore for FY2019 (Provisional) as compared to Rs.14.81 crore for FY2018.

### **Liquidity position**

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 1.07 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 0.87 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 1.36 crore to Rs. 1.93 crore during 2020-22 against no repayment obligations. The company's working capital operations are moderate marked by gross current asset (GCA) days of 75 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.02 crore as on 31 March 2019 (Provisional). The current ratio stands at 1.80 times as on 31 March 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals against no major debt repayments over the medium term.

### **Outlook: Stable**

Acuité believes that EEPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

### **About the Rated Entity - Key Financials**

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	17.33	14.81	9.43
EBITDA	Rs. Cr.	1.42	1.34	0.49
PAT	Rs. Cr.	0.99	0.79	0.20
EBITDA Margin	(%)	8.21	9.08	5.17
PAT Margin	(%)	5.71	5.34	2.13
ROCE	(%)	24.15	31.40	16.98
Total Debt/Tangible Net Worth	Times	0.43	0.80	0.05
PBDIT/Interest	Times	14.22	7.73	2.80
Total Debt/PBDIT	Times	1.27	1.86	0.21
Gross Current Assets (Days)	Days	75	172	121

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-8.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
22-June-2018	Cash Credit	Long Term	0.45	ACUITE B+/ Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4 (Assigned)

### \*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 BB-/ Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Upgraded)

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### About Acuité Ratings & Research:

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