

Press Release

Core Energy Systems Private Limited

December 10, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 30.00 crore bank facilities of Core Energy Systems Private Limited. The outlook is '**Stable**'.

Core Energy Systems Private Limited (CESPL) was incorporated in the year 1997 as a Partnership firm by Mr. Nagesh Basarka, a petrochemical engineer by qualification and later in 2004 the constitution of a company was changed to Private Limited. CESPL is formed with the purpose of providing a range of high technology products, value added services as well as Turnkey Engineering solutions catering to niche sectors. The company primarily focuses on Nuclear, Oil & Gas, and Defence markets. The company is located in Dombivli, in Thane district, Maharashtra and has an overseas office registered as Western CORE Ltd.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and moderate order book position**

CESPL has been engaged in providing a range of engineered solutions, turnkey installations, high-end engineering services and Electronic and Electrical equipments for nuclear energy, defence, oil and gas, and other engineering industries in Maharashtra, Mumbai for more than two decade of experience. The company is led by Mr. Nagesh Basarkar (Managing Director) who possesses around two decades of experience in the engineering industry which has helped the company obtain order book position of ~Rs.109.00 crore as on September 2018.

- **Niche segment product**

The company is into providing a range of engineered solutions, turnkey installations, high-end engineering services and Electronic and Electrical equipments for nuclear energy, defence, oil and gas, and other engineering industries. Further, the strict entry barriers in the industry are a competitive advantage.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by net worth of Rs.12.71 crore as on 31 March, 2018 as against Rs.12.04 crore as on 31 March, 2017. Gearing (debt-equity) stood at 0.89 times as on 31 March, 2018 as against 0.15 times as on 31 March, 2017. The total debt of Rs.11.29 crore outstanding as on 31 March, 2018 comprises of term loan of Rs.0.61 crore and working capital limit of Rs.10.69 crore. Interest Coverage Ratio (ICR) stood at 1.87 times for FY2018 as against 4.04 times in the previous year. TOL/TNW stood at 1.72 times as on 31 March, 2018 as against 0.46 times. The increase in TOL/TNW is due to higher utilisation of working capital limits as on 31 March, 2018. The financial risk profile of the company is expected to remain moderate backed by moderate net cash accruals.

Weaknesses

- **Working capital intensive operations**

The operations of CESPL are working capital intensive marked by Gross Current Assets (GCA) of 275 days for FY2018 as against 216 days in FY2017. This is majorly on account of high debtor days of 208 for FY2018. Acuité believes that being engaged in capital goods industry the company's operations will continue to remain working capital intensive. The average bank limit utilisation stood at 85.29 percent for the last six months ended October 2018. Going ahead, the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

- **Tender based nature of operations**

The company's performance is susceptible to the tender based nature of activities. However, the risk is mitigated at a certain extend as Nuclear is one of the segments of the company.

Outlook: Stable

Acuité believes that CESPL will maintain a 'Stable' business risk profile on account of experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in the scale of operations while achieving healthy profit margins and comfortable liquidity position. The outlook may be revised to 'Negative' in case of decline in the revenues or profitability and deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	29.82	12.00	45.80
EBITDA	Rs. Cr.	1.58	-3.22	5.19
PAT	Rs. Cr.	0.68	0.65	2.77
EBITDA Margin	(%)	5.31	-26.84	11.32
PAT Margin	(%)	2.27	5.40	6.04
ROCE	(%)	13.96	10.69	50.24
Total Debt/Tangible Net Worth	Times	0.87	0.15	0.03
PBDIT/Interest	Times	1.87	4.04	10.00
Total Debt/PBDIT	Times	3.72	1.14	0.06
Gross Current Assets (Days)	Days	275	216	67

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

CRISIL, vide its press release dated September 03, 2018 had denoted the rating of Core Energy Systems Private Limited as 'CRISIL B+/Stable/CRISIL A4; ISSUER NOT COOPERATING; Migrated from 'CRISIL BB/Stable' ' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	4.50	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022 49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Kashish Shah Senior Analyst - Rating Operations Tel: 022 49294031 kashish.shah@acuiteratings.in	

About Acuité Ratings & Research:

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