



**Press Release**  
**INDUSTRIAL SYSTEMS LLP**  
**October 26, 2022**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	38.00	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	55.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has assigned the long term rating of 'ACUITE BB+' (read as ACUITE double B plus) and short term rating of 'ACUITE A4+' (read as ACUITE A four plus) on the Rs.55.00 crore bank facilities of Industrial Systems LLP. The outlook is 'Stable'.

Rationale of the assignment

The rating on Industrial Systems LLP factors in the stable business risk profile of the firm marked by experience of the management in the EPC business and their strong association with reputed government and private clients. The rating also reflects the healthy financial risk profile and adequate liquidity position of the firm. However, these strengths are partially offset by the working capital intensive nature of operation and competitive and fragmented nature of industry.

**About the Company**

Assam-based, Industrial Systems LLP was established in the year of 2001 as a proprietorship concern and subsequently changed its constitution in April 2017. The firm is engaged in Government EPC and turnkey contractors and suppliers in North-East part of the country. Currently the firm is managed by the partners Mr. Ajay Bhoopal and Mr. Rajni Bhoopal.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Industrial Systems LLP while arriving at the rating

**Key Rating Drivers**

**Strengths**

**Experienced management and long track record of operation**

The firm was established in 2001 and changed its constitution to LLP in 2017. The partners of

the firm Mr. Ajay Bhoopal and Mr. Rajni Bhoopal have more than two decades of experience in similar industry. The firm has a long presence in this sector and has established a healthy

relationship with customers for more than a decade. The timely execution of the projects has helped the firm to improve its market presence in the North-East part of the country. Acuité believes that the firm will continue to benefit from its promoter's extensive industry experience and established relationship with customers over the medium term. Further, the firm mainly caters directly to the government entities as well as private parties such as Manipur State Power Distribution Co. Ltd., Guwahati Municipal Corporation, Jindal Saw Limited, Water Resource Departments, Public Works Departments and among others.

### **Healthy scale of operation**

The revenue of the company stood healthy at Rs.150.43 crore in FY2022 as compared to Rs.30.42 crore in the previous year. This significant improvement in revenue is on account of increase in project execution during the period backed by steady order flow from the various Government departments and private parties. Further, the firm has already booked Rs.34.00 crore till August 2022 (Prov.) as against of Rs.8.50 crore till the same period in the corresponding year. Acuité believes the revenue of the firm will increase going forward based on the healthy unexecuted order book of Rs.230.05 crore as on 31<sup>st</sup> July 2022.

### **Healthy financial risk profile**

The financial risk profile of the firm is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the firm stood moderate at Rs.36.68 crore in FY 2022 as compared to Rs. 17.75 crore in FY2021. This improvement in networth is on account of retention of profit by the firm during the period. Further, Acuité has also considered unsecured loan of Rs.14.36 crore as quasi equity as the same amount is subordinated with the bank debt. The gearing of the firm stood comfortable at 0.94 times as on March 31, 2022 when compared to 0.74 times as on March 31, 2021. Interest coverage ratio (ICR) of the firm stood healthy at 4.92 times in FY2022 as against 4.21 times in FY 2021. The debt service coverage ratio (DSCR) of the company stood healthy at 3.53 times in FY2022 as compared to 3.19 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.18 times in FY2022 as compared to 0.10 times in FY2021. Going forward, Acuité believes the financial risk profile of the firm will improve on account of increase in net cash accruals and no major debt funded capex plan over the near term.

### **Weaknesses**

#### **Working capital management**

The operation of the firm is working capital intensive marked by high gross current asset (GCA) days of 288 days in FY2022 as against of 559 in the previous year. The inventory days of the firm stood comfortable at 33 days in FY2022 as compared to 17 days in the previous year. Moreover, the debtor days of the firm has improved but still stood high at 212 days in FY2022 as compared to 364 days in the previous year though it is a year end phenomenon. Acuité believes that the ability of the firm to manage its working capital operations efficiently will remain a key rating sensitivity.

#### **Competitive and fragmented nature of industry coupled with tender based business**

The company is engaged as a EPC and civil contractor and the particular sector is marked by the presence of several mid to big size players. The firm faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the firm has to make bid for such tenders on competitive prices, which may affect the profitability of the firm. However, this risk is mitigated to an extent as the company is operating in this environment for the last twenty years.

### **Rating Sensitivities**

- Scaling up of operations while maintaining their profitability margin
- Deterioration in capital structure

- Further elongation in working capital operations

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

The firm has adequate liquidity marked by moderate net cash accruals of Rs.6.24 crore in FY2022 as against Rs.1.25 crore in FY2021. The cash accruals of the firm are estimated to remain in the range of around Rs. 7.11 crore to Rs. 8.60 crore during 2023-24 as against Rs. 0.21 crore of long term debt obligations FY2023 and Rs.1.14 crore in FY2024 respectively. The current ratio of the firm stood comfortable at 1.46 times in FY2022 (Prov.). The working capital intensive nature of the firm is marked by high Gross Current Asset (GCA) days of 288 days in FY2022. The bank limit of the firm has been ~91 percent utilized during the last six months ended in August 2022. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

### **Outlook:Stable**

Acuité believes that the outlook on the firm will remain 'Stable' over the medium term on account of the established track record of operations, experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a significant increase in the gearing levels or further deterioration in the working capital cycle.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	150.43	30.42
PAT	Rs. Cr.	6.04	1.10
PAT Margin	(%)	4.02	3.63
Total Debt/Tangible Net Worth	Times	0.94	0.74
PBDIT/Interest	Times	4.92	4.21

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History :

None

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A4+   Assigned
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB+   Stable   Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+   Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+   Stable   Assigned

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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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