



SMERA RATINGS LIMITED

# New Fire Engineers Private Limited (NFEPL)

## Rating Rationale

**September 29, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Housing Loan	2.14	SMERA BB/Stable (Assigned)
Cash Credit	3.25	SMERA BB/Stable (Assigned)
Cash Credit (proposed)	1.75	SMERA BB/Stable (Assigned)
Bill Discounting	0.50	SMERA A4+ (Assigned)
Demand Loan	0.25	SMERA A4+ (Assigned)
Letter of Credit	10.00	SMERA A4+ (Assigned)
Bank Guarantee	25.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of New Fire Engineers Private Limited (NFEPL). The outlook is '**Stable**'. The ratings are constrained by the company's uneven revenue trend and high dependence on tenders-based contracts. The ratings are also constrained by the company's stretched working capital cycle. However, the ratings are supported by the company's long track record of operations, experienced management, moderate financial risk profile and healthy order book position.

NFEPL, incorporated in 1975, is a Mumbai-based company engaged in designing, installation, commissioning and maintenance of fire detection, fire protection and fire fighting systems. NFEPL's uneven revenue trend arises on account of high dependence on tender-based contracts. Moreover, the company is exposed to delays in execution of projects by customers. NFEPL's working capital cycle is stretched on account of extended receivables period of 219 days in FY2013-14 (refers to financial year, April 01 to March 31). The company's receivables include retention money (~10 per cent of the contract value) held by clients. NFEPL's working capital requirements are likely to increase in case of sustained delays in execution of projects and receipt of payments from customers.

NFEPL benefits from its experienced management. Mrs. Ranjana Shah, director of NFEPL, has around 22 years of experience in the fire protection industry. The company's moderate financial risk profile is marked by low leverage of 0.73 times (provisional) as on March 31, 2014 and interest coverage ratio of 1.75 times (provisional) in FY2013-14. NFEPL's healthy order book position is reflected in pending orders of Rs.96.12 crore (as on September 19, 2014), which are likely to be executed over the next two years.

### Outlook: Stable

SMERA believes NFEPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management, established track record of operations and

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healthy order book position. The outlook may be revised to 'Positive' in case the company scales up its operations while registering significant improvement in profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues and profit margins, or in case of stretch in the company's liquidity position.

### About the company

NFEPL, incorporated in 1975, is a Mumbai-based company promoted by Mr. Atul Shah, Mrs. Ranjana Shah and Mr. Arnav Shah. NFEPL is engaged in designing, installation, commissioning and maintenance of fire detection, fire protection and fire fighting systems. The company's offerings include gas suppression systems, water-based systems, foam systems, fire detection systems and fire alarm systems.

For FY2012-13, NFEPL reported profit after tax (PAT) of Rs.0.96 crore on total operating income of Rs.62.88 crore, as compared with PAT of Rs.1.81 crore on total operating income of Rs.65.13 crore in FY2011-12. For FY2013-14 (as per provisional financial statements), the company reported PAT of Rs.1.16 crore on operating income of Rs.58.03 crore. NFEPL's net worth stood at Rs.14.90 crore (provisional) as on March 31, 2014, as compared with Rs.13.74 crore a year earlier.

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