

Press Release

New Fire Engineers Private Limited

July 05, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 38.75 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 38.75 crore bank facilities of New Fire Engineers Private Limited. The outlook is '**Stable**'.

New Fire Engineers Private Limited (the erstwhile Kooverji Devshi Fire Protection Services Private Limited) was incorporated by Directors, Mr. Atul S. Shah, Mr. Bharatkumar S. Shah and Mrs. Anjani P. Shah. The company is engaged in the designing, supplying, installation, commissioning and maintainance of firefighting systems.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

The Mumbai-based NFEPL was incorporated in 1975. The promoters possess over two decades of experience in the said line of business.

- Moderate order book position**

The company has unexecuted order book of Rs.39.66 crore, which provides revenue visibility over the medium term.

- Diversified service portfolio**

NFEPL offers a range of fire fighting products including gas suppression, water based, foam systems apart from fire detection and alarm systems.

- Established relations with partners**

NFEPL has been a distributor of the abovementioned products of reputed companies including Siemens Building Technologies (USA), Ginge Kerr (Denmark), Nittan (UK) Limited (United Kingdom) among others.

- Moderate financial risk profile**

NFEPL has average financial risk profile marked by gearing (Debt-to equity) of 0.54 times as on 31 March, 2016 as against 0.63 times as on 31 March, 2015. The ICR (Interest coverage ratio) stood at 1.49 times in FY2016 against 2.03 times in FY2015. Further, the tangible net worth stood at Rs.15.06 crore as on 31 March, 2016.

Weaknesses

- Working capital intensive operations**

NFEPL has working capital intensive operations marked by GCA (gross current assets) of 297 days for FY2016 as against 254 days for FY2015. This is mainly on account of debtor days of 266 for

FY2016. The debtor days remain high mainly due to long term delays in repayments by public sector units. However, WCC (working capital cycle) days stood at 44 for FY2016 against 89 days for FY2015. The WCC days are balanced mainly on account of support received from creditors. The creditors days stood at 253 for FY2016 against 165 in FY2015. Further, the average utilisation of working capital limit stood at ~ 80.00 percent in the last six months ended December 2016 to June 2017.

• Uneven trend in revenue due to project based business

The revenue trend of the company has been uneven in the last three years marked by operating income of Rs.36.89 crore for FY2016 as against Rs.52.21 crore for FY2015 and Rs.56.56 crore for FY2014. Further, the company achieved revenue of Rs. 42.00 crore in FY2017 (Provisional). The revenue remains uneven on account of dependence on tender based contracts, execution delays on behalf of the client, site clearances to name a few.

• Susceptibility of operating performance to delays in project execution

NFEPL executes tender based contracts (90 per cent) of public sector units and private players. The company is highly dependent on successful bidding of tenders. Further, delays in project execution due to site clearances along with delayed receipts from customers are likely to impact scale of operations along with higher working capital requirements. Furthermore, margins are pressurised due to increase in operating overheads, competitive bidding for tenders in the light of stiff competition and slower execution of projects.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of NFEPL to arrive at the rating.

Outlook: Stable

SMERA believes that NFEPL will maintain a stable outlook over the medium term owing to its experienced management and long track record of operations in the fire protection industry. The outlook may be revised to 'Positive' if the company scales up operations while improving profitability along with efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, deterioration of profit margins or liquidity position.

About the Rated Entity - Key Financials

For FY2015-16, the company reported net profit of Rs.0.05 crore on operating income of Rs.36.89 crore, as compared with net profit of Rs.0.81 crore on operating income of Rs.52.21 crore in FY2014-15. The net worth stood at Rs.15.06 crore as on 31 March, 2016 as against Rs.15.34 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument	Term	Amount (Rs. Cr.)	Ratings/Outlook
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	/ Facilities			
28-Dec-2015	Housing loan	Long Term	INR 2.14	SMERA BB / Stable
	Cash Credit	Long Term	INR 3.25	SMERA BB / Stable
	Proposed Cash Credit	Long Term	INR 1.75	SMERA BB / Stable
	Bill Discounting	Short Term	INR 0.5	SMERA A4+
	Demand loan	Short Term	INR 0.25	SMERA A4+
	Letter of Credit	Short Term	INR 10	SMERA A4+
	Bank Guarantee	Short Term	INR 25	SMERA A4+
29-Sep-2014	Housing loan	Long Term	INR 2.14	SMERA BB / Stable
	Cash Credit	Long Term	INR 3.25	SMERA BB / Stable
	Bill Discounting	Short Term	INR 0.5	SMERA A4+
	Demand loan	Short Term	INR 0.25	SMERA A4+
	Letter of Credit	Short Term	INR 10	SMERA A4+
	Bank Guarantee	Short Term	INR 25	SMERA A4+
	Proposed Cash Credit	Long Term	INR 1.75	SMERA BB / Stable

***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	3.25	SMERA BB / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA A4+

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