

Press Release

New Fire Engineers Private Limited

July 19, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) and short term rating of '**ACUITE A4+**' (**read as ACUITE 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 maintenance of firefighting systems. It has reputed clientele which includes BHEL, BPCL, L&T, ACC, Bharat Oman Refineries Limited among others.

Key Rating Drivers

Strengths

- Strong order book position**

The company has unexecuted order book of Rs.77.35 crore, which provides revenue visibility over the medium term.

- Diversified service portfolio**

NFEPL offers a range of firefighting 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), Gingek Kerr (Denmark), Nittan (UK) Limited (United Kingdom) among others.

- 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. The experience of the promoters has helped the business to establish strong ties with its suppliers and customers.

- Moderate financial risk profile**

NFEPL's tangible networth stood at Rs 16.07 crores as on 31st March, 2018 (provisional) as against Rs. 15.62 crore as on 31st March, 2017. This is mainly due to accretion of reserves. The Gearing (debt to equity) stood at 0.77 times as on 31 March 2018 (provisional) from 0.50 times as on 31 March 2017. This is due to increase in short term debt to Rs. 9.00 crore as on 31 March 2018 (provisional) from Rs. 4.08 crore as on 31 March 2017. The total debt of Rs. 12.31 crore as on 31 March 2018 (provisional) comprises Rs. 1.55 crore of housing term loan, Rs. 1.63 crore of unsecured loans from promoters and others and working capital borrowing of Rs. 9.00 crore. NFEPL's coverage indicators stood moderate with Interest Coverage Ratio (ICR) of 1.64 times in FY2018 (provisional) as compared to 1.70 times in FY2017. Total Outside Liability/Total Net Worth (TOL/TNW) stood at 3.18 times in FY2018 (provisional) as compared to 3.04 times in FY2017. Acuité believes that the financial risk profile of the company will improve due to strong order book and growth in net cash accruals.

Weaknesses

- **Working capital intensive operations**

NFEPL has working capital intensive operations marked by Gross Current Assets (GCA) of 389 days for FY2018 (provisional) as against 287 days for FY2017. This is mainly on account of debtor days of 329 for FY2018 (provisional) as against 214 days for FY2017. The debtor days remain high mainly due to long term delays in repayments by public sector units. The creditor days stood at 221 for FY2018 (provisional) against 262 in FY2017. Further, the average utilization of working capital limit stood at ~ 92.00 percent in the last six months ended June 2018.

- **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.37.71 crore for FY2018 (provisional) as against Rs.44.09 crore for FY2017 and Rs.36.89 crore for FY2016. 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. However, the company has order book of Rs.77.35 crore for FY2018 which is to be executed by 2019-2020.

- **Susceptibility of operating performance to delays in project execution**

NFEPL executes tender based contracts (60 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 pressurized due to increase in operating overheads, competitive bidding for tenders in the light of stiff competition and slower execution of projects.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of the NFEPL to arrive at the rating.

Outlook: Stable

ACUITE 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 significantly 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, liquidity position or further deterioration in working capital management.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	37.71	44.09	36.89
EBITDA	Rs. Cr.	2.00	1.65	2.49
PAT	Rs. Cr.	0.46	0.56	0.05
EBITDA Margin	(%)	5.30	3.75	6.75
PAT Margin	(%)	1.22	1.26	0.14
ROCE	(%)	8.97	9.41	11.64
Total Debt/Tangible Net Worth	Times	0.77	0.50	0.54
PBDIT/Interest	Times	1.64	1.70	1.49
Total Debt/PBDIT	Times	4.69	3.31	2.57
Gross Current Assets (Days)	Days	389	287	362

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Jul-2017	Cash Credit	Long Term	INR 3.25	ACUITE BB / Stable
	Bills Discounting	Short Term	INR 0.5	ACUITE A4+
	Letter of Credit	Short Term	INR 10	ACUITE A4+
	Bank Guarantee	Short Term	INR 25	ACUITE A4+
28-Dec-2015	Term Loan	Long Term	INR 2.14	ACUITE BB / Stable
	Cash Credit	Long Term	INR 3.25	ACUITE BB / Stable
	Proposed Cash Credit	Long Term	INR 1.75	ACUITE BB / Stable
	Bills Discounting	Short Term	INR 0.5	ACUITE A4+
	Working Capital Demand Loan	Short Term	INR 0.25	ACUITE A4+
	Letter of Credit	Short Term	INR 10	ACUITE A4+
	Bank Guarantee	Short Term	INR 25	ACUITE A4+
29-Sep-2014	Term Loan	Long Term	INR 2.14	ACUITE BB / Stable
	Cash Credit	Long Term	INR 3.25	ACUITE BB / Stable
	Bills Discounting	Short Term	INR 0.5	ACUITE A4+
	Working Capital Demand Loan	Short Term	INR 0.25	ACUITE A4+
	Letter of Credit	Short Term	INR 10	ACUITE A4+
	Bank Guarantee	Short Term	INR 25	ACUITE A4+
	Proposed Cash Credit	Long Term	INR 1.75	ACUITE 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	ACUITE BB / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+

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About Acuité Ratings & Research:

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