

Press Release

NEW FIRE ENGINEERS PRIVATE LIMITED

JANUARY 10, 2020

Rating Downgraded



| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs. 38.75 Cr. |
| Long Term Rating | ACUITE D (Downgraded from ACUITE BB) |
| Short Term Rating | ACUITE D (Downgraded from ACUITE A4+) |

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to '**ACUITE D**' (read as **ACUITE D**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to '**ACUITE D**' (read as **ACUITE D**) on the Rs. 38.75 crore bank facilities of NEW FIRE ENGINEERS PRIVATE LIMITED (NFEPL).

The downgrade is reflected by irregularities in banking conduct.

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.

Analytical Approach

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

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

Acuite believes that the company will continue to benefit from its experienced management and established relationships with customers.

Weaknesses

- Delays in debt servicing**

There has been a delay in servicing of cash credit facility. It has been overdrawn for more than 30 days.

- Decline in scale of operations and profitability**

The company reported significant decline in revenue marked by ~58.15 per cent with operating income of Rs.19.84 crore in FY2019 as against operating income of Rs.47.40 crore in FY2018. This is majorly because of the non – realisation of payments from its customers. Further, the operating margins of the company also deteriorated to negative 11.13 percent in FY2019 from 3.37 percent in FY2018.

• Intensive working capital operations

The working capital of NFEPL is intensive in nature marked by high Gross Current Asset (GCA) days of 637 for FY2019 as against 292 in the previous year. This is on account of high debtor days which stood at 502 for FY2019 as against 240 for FY2018, further inventory days stood at 37 in FY2019 as against 11 in FY2018. However, the reliance on working capital facility is high, it is fully utilized on an average for last 6 months ending December, 2019. Going ahead, the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

• Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth and debt protection measures and low gearing. The net worth of the company is moderate at Rs.16.35 crore as on 31 March 2019 as against Rs.15.76 crore as on 31 March 2018. The gearing (debt to equity) of the company stood at 0.53 times as on March 31 2019 as against 0.73 times as on March 31 2018. Total debt of Rs.8.69 crore consists of term loan of Rs.1.49 crore, unsecured loans of Rs.3.11 crore and working capital facility of Rs.4.08 crore as on 31 March 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.56 times as on 31 March 2019 as against 1.99 times as on 31 March 2018. Interest Coverage Ratio (ICR) stood at 1.68 times in FY2019 as against 1.31 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March 2019 as against 0.04 times as on 31 March 2018. Debt Service Coverage Ratio (DSCR) stood at 1.39 times in FY2019 as against 1.17 times in FY2018.

Liquidity Position: Stretched

NFEPL has stretched liquidity marked by net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.79 crore in FY2019 as against Rs.0.50 crore in FY2018 and Rs.0.76 crore in FY2017, while its maturing debt obligation was around Rs.0.17 crore for FY2019, Rs.0.12 crore for FY2018 and Rs.0.17 crore for FY2017. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 637 in FY2019. Further, the reliance on working capital borrowings is high, the cash credit limit in the company remains fully utilized during the last 6 months' period ended December, 2019. The company maintains unencumbered cash and bank balances of Rs.0.11 crore as on March 31, 2019. The current ratio of the company stands at 1.78 times as on March 31, 2019.

About the Rated Entity - Key Financials

| | Unit | FY19 (Actual) | FY18 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 19.84 | 47.40 |
| PAT | Rs. Cr. | 0.60 | 0.15 |
| PAT Margin | (%) | 3.00 | 0.31 |
| Total Debt/Tangible Net Worth | Times | 0.53 | 0.73 |
| PBDIT/Interest | Times | 1.68 | 1.31 |

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

None.

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|-------------------------------|
| 26-Sep-2019 | Cash Credit | Long Term | 3.25 | ACUITE BB (Indicative) |
| | Bills Discounting | Short Term | 0.50 | ACUITE A4+ (Indicative) |
| | Letter of Credit | Short Term | 10.00 | ACUITE A4+ (Indicative) |
| | Bank Guarantee | Short Term | 25.00 | ACUITE A4+ (Indicative) |
| 19-Jul-2018 | Cash Credit | Long Term | 3.25 | ACUITE BB/Stable (Reaffirmed) |
| | Bills Discounting | Short Term | 0.50 | ACUITE A4+ (Reaffirmed) |
| | Letter of Credit | Short Term | 10.00 | ACUITE A4+ (Reaffirmed) |
| | Bank Guarantee | Short Term | 25.00 | ACUITE A4+ (Reaffirmed) |
| 5-Jul-2017 | Cash Credit | Long Term | 3.25 | ACUITE BB/Stable (Assigned) |
| | Bills Discounting | Short Term | 0.50 | ACUITE A4+ (Assigned) |
| | Letter of Credit | Short Term | 10.00 | ACUITE A4+ (Assigned) |
| | Bank Guarantee | Short Term | 25.00 | ACUITE A4+ (Assigned) |

***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 D (Downgraded from ACUITE BB) |
| Bills Discounting | Not Applicable | Not Applicable | Not Applicable | 0.50 | ACUITE D (Downgraded from ACUITE A4+) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE D (Downgraded from ACUITE A4+) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 25.00 | ACUITE D (Downgraded from ACUITE A4+) |

Contacts

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About Acuité Ratings & Research:

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