

## Press Release

### NEW FIRE ENGINEERS PRIVATE LIMITED

JANUARY 10, 2020



#### Rating Downgraded

<b>Total Bank Facilities Rated*</b>	Rs. 38.75 Cr.
<b>Long Term Rating</b>	ACUITE D (Downgraded from ACUITE BB)
<b>Short Term Rating</b>	ACUITE D (Downgraded from ACUITE A4+)

\* Refer Annexure for details

#### Rating Rationale

Acuité 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

Acuité 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.

Acuité 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**

Acuité 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

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Saurabh Rane Analyst - Rating Operations Tel: 02249294034 <a href="mailto:saurabh.rane@acuite.in">saurabh.rane@acuite.in</a>	

### About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.