

Press Release

New Fire Engineers Private Limited

February 10, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 38.75 Cr.
Long Term Rating	ACUITE D (Withdrawn)
Short Term Rating	ACUITE D (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE D** (read as ACUITE D) and the short term rating of '**ACUITE D** (read as ACUITE D) on the Rs.38.75 Cr. bank facilities of New Fire Engineers Private Limited (NFEPL).

The rating is being withdrawn at the company's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuité policy on withdrawal.

Mumbai based New Fire Engineers Private Limited (erstwhile Kooverji Devshi Fire Protection Services Private Limited) was incorporated in 1975 by Directors, Mr. Atul S. Shah, Mrs. Ranjana A. Shah and Mr. Arnav A. Shah. The company is engaged in the designing, supplying, installation, commissioning and maintenance of firefighting systems.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations with experienced management**

The Mumbai-based NFEPL was incorporated in 1975 by Mr. Atul S. Shah, Mr. Bharatkumar S. Shah and Mrs. Anjani P. Shah. The promoters possess over two decades of experience in the said line of business. The extensive experience of the promoters has helped the company to establish strong ties with its suppliers and customers.

Weaknesses

- **Delays in debt servicing**

NFEPL has been facing significant liquidity pressure, which has impeded its ability to meet its debt obligation in a timely manner. The account has been persistently irregular on account of continuous overdrawing in cash credit limits in last three months.

- **Decline in scale of operations in FY20**

The company reported decline in revenue from operations by around 8.00 percent to Rs.18.27 crore in FY20 as against operating income of Rs.19.84 crore in FY19. This is majorly because of decline in order book position of the company from its key customers from the power generation industry. However, the operating margins of the company improved to 12.33 percent in FY20 compared to (11.13) percent in FY19 majorly on account of decline in other operating expenses.

• **Intensive working capital operations**

The operations of the company is working capital intensive in nature marked by high Gross Current Asset (GCA) days of 732 for FY20 as against 637 in the previous year. This is on account of high debtor days which stood at 585 days for FY20 as against 502 days for FY19. Further, the inventory days also increased to 77 days in FY20 as against 37 days in FY19. The reliance on working capital facility is high which has been fully utilized for the last 6 months ending January, 2021.

Liquidity Position: Poor

The company has poor liquidity on account of intensive working capital operations marked by high Gross Current Asset (GCA) days of 732 days in FY20 as compared to 637 days in FY19. The high GCA days is majorly on account of high debtor days of 585 days in FY20 as against 502 days in FY19. The working capital requirement is funded through bank lines that have been fully utilized over the last six months ended January, 2020 and there have been overdrawings in the cash credit account of the company for more than 30 days indicating poor liquidity. The current ratio stood of the company stood at 1.80 times as on 31 March 2020.

Rating Sensitivities

Not Applicable

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	18.27	19.84
PAT	Rs. Cr.	0.80	0.60
PAT Margin	(%)	4.39	3.00
Total Debt/Tangible Net Worth	Times	0.65	0.53
PBDIT/Interest	Times	1.92	1.68

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Jan-2020	Cash Credit	Long Term	3.25	ACUITE D (Downgraded from ACUITE BB)
	Bills Discounting	Short Term	0.50	ACUITE D (Downgraded from ACUITE A4+)
	Letter of Credit	Short Term	10.00	ACUITE D (Downgraded from ACUITE A4+)
	Bank Guarantee	Short Term	25.00	ACUITE D

				(Downgraded from ACUITE 4+)
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 (Withdrawn)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE D (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE D (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE D (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Nitul Dutta Analyst - Rating Operations Tel: 022-49294053 nitul.dutta@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research 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 8,000 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) for the latest information on any instrument rated by Acuité.