

Press Release

ESTEEM PROJECTS PRIVATE LIMITED

March 13, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs 18.00 Cr. (Enhanced from Rs. 15.00 Cr)
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed and assigned long-term rating of '**SMERA BB-**' (read as SMERA BB minus) on the Rs. 18.00 crore bank facilities of Esteem Projects Private Limited. The outlook is '**Stable**'.

Esteem Projects Private Limited (EPPL), incorporated in 1994 is engaged in heavy engineering industry promoted by Mr. Gurcharan Singh, Mrs. Rajinder Kaur, Mr. Gurinder Singh and Mr. Tanveer Singh. The company is engaged in designing, supply and construction of fired heaters including reforming furnaces, cracking furnace and related equipment. It undertakes turnkey and revamp projects.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

EPPL has track record of more than two decades in industrial process furnace leading to long standing relations with reputed clientele including PSU such as ONGC, IOCL among others. It is a member of American Petroleum Institute (API) and Quality & HSE systems with certification ISO-9001:2008/14001:2004 & OHSAS 18001:2007. Mr. Gurcharan Singh has extensive experience in steel and fabrication industry and is ably supported by Mr. Gurinder Singh and Mr. Tanveer Singh in day-to-day business activities.

- **Improved revenue and profitability**

The EBITDA margins of the company improved substantially from 14.73 percent in FY2016 to 33.02 percent in FY2017. The PAT margins also increased in line from 8.88 percent in FY2017 to 21.03 percent. Due to plough back of profits the net worth of the company increased to Rs 19.17 crore as on March 31, 2017.

- **Healthy Order in hands**

The current order in hand stands at Rs. 110 crore as on 18 December, 2017 to be executed within next two years. The company booked Rs. 16.00 crore of revenue in the first three quarters of FY2018 (provisional).

Weaknesses

- **Moderate scale of operation**

EPPL's scale of operation is moderate with operating revenue of Rs 25.23 crore in FY2017 as against Rs 22.15 crore in FY2016.

- **Working capital intensive nature of business**

The operations are working capital intensive marked by gross current asset days of 366 in FY2017 and 217 days in FY2016. In addition the debtor and creditor days were very high at 286 days and 634 days in FY2017 as against 168 days and 334 days in FY2016.

The stretched liquidity is a concern and going forward efficient management of working capital cycle will be key rating sensitivity.

Analytical Approach

SMERA has considered standalone business and financial risk profile of Esteem Projects Private Limited for the purpose of rating.

Outlook: Stable

SMERA believes EPPL will maintain a 'Stable' credit profile over the medium term on the back of experienced management and order book position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.23	22.15	21.42
EBITDA	Rs. Cr.	8.33	3.26	2.60
PAT	Rs. Cr.	5.30	1.97	1.54
EBITDA Margin	(%)	33.02	14.73	12.16
PAT Margin	(%)	21.03	8.88	7.18
ROCE	(%)	45.96	24.23	40.52
Total Debt/Tangible Net Worth	Times	1.22	1.11	1.12
PBDIT/Interest	Times	31.55	13.18	16.05
Total Debt/PBDIT	Times	0.22	0.05	0.06
Gross Current Assets (Days)	Days	366	217	217

Any other information

Not Applicable

Applicable Criteria

- Default Recognition -<https://www.smera.in/criteria-default.htm>
- Manufacturing Entities -<https://www.smera.in/criteria-manufacturing.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 / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
2-Dec-2016	Secured Overdraft	Long Term	0.50	SMERA BB- / Stable (Assigned)
	Bank Guarantee	Long Term	12.00	SMERA BB-/Stable (Downgraded)
	Proposed Bank Guarantee	Long Term	2.50	SMERA BB- / Stable (Assigned)
9-Sep-2015	Bank Guarantee	Long Term	6.90	SMERA BB/ Stable (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	0.50	SMERA BB-/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	17.50 (Enhanced from Rs.14.50 crore)	SMERA BB-/ Stable(Reaffirmed) (Assigned)

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