

RATING RATIONALE

4 Nov' 2020

N.L. Engineers Pvt. Ltd.

Brickwork Ratings reaffirms the long term rating and assigns the short term rating for the Bank Loan Facilities of ₹. 20.00 Crores of N.L. Engineers Pvt. Ltd. ('NLEPL' or 'the company').

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2019)	Present
Fund Based Cash Credit WCDL(sub limit of CC)	11.00 (8.75)	11.00 (1.75)	Long Term	BWR BB/ Stable [Assigned]	BWR BB/ Stable [Reaffirmed]
Non-fund Based - BG (Performance) -BG (Financial)	9.00 -	9.00 (1.00)			
Non-fund Based -ILC/FLC (sub limit of BG]	-	(3.00)	Short Term	-	BWR A4+ [Assigned]
Total	20.00	20.00	INR Twenty crores only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

Note- The company has also availed LAP from Kotak Mahindra Bank having outstanding balance of Rs. 2.87 cr as on 31.03.2020 and CC limit from NSIC of Rs. 3.00 cr under Raw material Assistance scheme against Bank Guarantee which are not being rated by us.

RATING ACTION / OUTLOOK : Stable

BWR has reaffirmed the rating at "BWR BB (Stable)" and assigned the short term rating at BWR A4+ for the bank loan facilities of N.L. Engineers Pvt. Ltd. ('NLEPL' or 'the company'). The rating draws strength from the well experienced management, long operational track record, reputed customers and moderate financial risk profile. However, the rating is constrained on account of the modest scale of operations, susceptibility of profitability to volatility in raw material prices and intense competition from large players in the market.

The rating outlook has been assigned as "Stable" as BWR believes that N.L. Engineers Pvt. Ltd. business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profits show sustained improvement along with improved tangible net worth and profitability margins. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile or any liquidity issues.



KEY RATING DRIVERS

Credit Strengths:

- **Long operational track record of business and Experienced management:** Being incorporated in 1997, the company has a long operational track record of more than two decades. The company is controlled and managed by the experienced directors, namely Mr Vijay Kant Aggarwal, Mrs. Nisha Aggarwal, Mr. Amit Aggarwal and Mr. Sumit Aggarwal who are also the shareholders of the company . Mr Vijay Kant Aggarwal is the promoter of the company and has more than two decades of experience in this line of business . The other directors Mrs. Nisha Aggarwal, Mr. Amit Aggarwal and Mr. Sumit Aggarwal also have a decade long experience.
- **Strong Customer base :** The customers of the company are leading EPC players in power transmission and distribution industry, state power utilities etc.Customer base includes players like PSPCL, PSTCL, RRVNL Jaipur, L&T Ltd., MPPTCL, DGVCL, UPPCL etc. Customer base of the company constitutes around 80-90% of Government players and 20-10% of Private players.
- **Moderate financial risk profile :** The company reported a growth of around 18% in operating income from Rs. 51.84 cr in FY18 to Rs. 61.26 cr in FY19. As submitted by management total operating income booked for FY20 is Rs. 53.93 cr and revenue achieved in current 6MFY21 is Rs. 18.14 cr . They are projecting to achieve around ~Rs. 54.00 cr in FY21. However, the company has a modest scale of operations and have remained almost stagnant over the past 3 years. Operating profitability margin has improved from 3.16% in FY18 to 4.66% in FY19. Net profit margins are low at around the same level from past years and stood at 0.72% in FY19. Debt/Equity ratio of the company is comfortable at 1.67x as on 31.03.2019 as against 1.44x as on 31.03.2018. Average debt service indicators with ISCR improved from 0.78x in FY18 to 1.26x in FY19 and DSCR stood at 1.16x in FY19 as against 1.21x in FY18.

Credit Challenges

- **Susceptibility Of Profitability to Volatility In Raw Material Prices:** Steel is a major raw material used in a company's product portfolio; the prices of which remain volatile. This exposes the company's profitability to any adverse variation in steel prices.
- **Intense Competition from big players :** The company is having a modest scale of operations and faces stiff competition from other smaller and bigger players in the market restricting their pricing power.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of NLEPL . BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the company to improve its scale of operations and its financial risk parameters will remain the key rating sensitivities.

Positive: The rating may be upgraded if the company interalia, is able to increase its revenues, profitability margins, tangible net worth or on account of any other favourable factor.



Negative: The rating may be downgraded if inter alia, there is any deterioration in financial risk profile, fails to maintain adequate liquidity or on account of any unforeseen unfavourable events.

LIQUIDITY POSITION : Stretched

The company has cash & cash equivalent balance of Rs. 0.86 crs as on 31.03.2019. Current ratio is moderate and stood at 1.66x as on 31.03.2019 . Conversion cycle is average at 119 days in FY19. Long term borrowings of Rs. 10.70 cr as on 31.03.2019 include outstanding balance of LAP of Rs. 2.62 cr, unsecured loans from related parties and friends amounting Rs. 8.03 cr, vehicle loan Rs. 0.05 cr. The company has tightly matched cash accruals against its repayment obligations. Net cash accruals of Rs. 0.78 cr were generated in FY19 against CPLTD of Rs. 0.32 cr. DSCR & ISCR were maintained at 1.16 & 1.26 respectively in FY 19. Overall liquidity of the company is stretched with cash credit limit utilization of around 94.61% in the last six months i.e. from Apr' 2020 to Sep' 2020 leaving sufficient headroom to meet any liquidity needs in the short term.

ANY GROUP CONCERNS

The company has group concerns namely, N.V. Metallics (P) Ltd., Roopica Exports (P) Ltd., D.S. Enterprises, Shree Balaji Exports, Hanuman Steels and Shiva Constructions. But the company has no operational linkages with these entities.

COMPANY PROFILE

Incorporated in the year 1997, N.L.Engineers Private Limited was promoted by Mr Vijaykant Aggarwal as a private company. The company is currently controlled and managed by Mr. Vijay Kant Aggarwal, Mrs. Nisha Aggarwal, Mr. Amit Aggarwal, Mr. Sumit Aggarwal who are also the shareholders of the company.

The company is a manufacturer and Supplier of steel structures such as transmission line towers, transmission towers, substation structures, solar power structure, microwave telecom towers, ISI galvanized and black nut-bolts, cable trays, earthing materials and also involved in construction of EHV transmission lines and substation on turn key basis, erection of towers, microwave towers, etc. The company is also ISO Certified and the range of Nuts & Bolts is BIS -ISI certified. They supply products to the government as well as corporate sectors according to their specific design and specifications. Currently, the customer base of the company includes around 80-90% of government players and 20-10% of private players.

The company has robust infrastructural facilities integrated with fabrication shop / galvanizing plant in Mohali. This plant has 27000 MT fabrications and galvanizing capacity. They also have in house chemical analysis, mechanical properties and galvanizing testing laboratory and have arrangements with independent government labs as well. The company has also started providing tower erection related work services from FY 2019.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2019	FY 2018
Result Type		Audited	Audited
Operating Income	₹ Cr	61.26	51.84
EBITDA	₹ Cr	2.86	1.64
PAT	₹ Cr	0.44	0.38
Tangible Net worth	₹ Cr	12.75	12.31
Total Debt/TNW	Times	1.67	1.44
Current Ratio	Times	1.66	1.80

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Not Available

RATING HISTORY FOR THE PAST THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	16 Aug' 2019	2018	2017
Fund Based Cash Credit WCDL(sub limit of CC)	Long Term	11.00 (1.75)	BWR BB/ Stable [Reaffirmed]	BWR BB/ Stable [Assigned]	NA	NA
Non-fund Based - BG (Performance) -BG (Financial)		9.00 (1.00)			NA	NA
Non-fund Based -ILC/FLC (sub limit of BG]	Short Term	(3.00)	BWR A4+ [Assigned]	NA	NA	NA
Total		20.00	INR Twenty crores only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)

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[N.L. Engineers Pvt. Ltd.]

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Kotak Mahindra Bank	Fund Based Cash Credit WCDL(sub limit of CC)	11.00 (1.75)	- -	11.00 (1.75)
		Non-fund Based - BG (Performance) -BG (Financial)	9.00 (1.00)	- -	9.00 (1.00)
		Non-fund Based -ILC/FLC (sub limit of BG]	-	(3.00)	(3.00)
TOTAL					20.00

Total Rupees Twenty crores only



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