



## Press Release

### **Fouress Engineering (India) Private Limited (FEIPL)**

**July 16, 2024**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Current Ratings</b>	<b>Previous Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Facilities	12.88	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	-	Assigned	Simple
Short Term Facilities	45.05	IVR A4 (IVR A Four)	-	Assigned	Simple
<b>Total</b>	<b>57.93</b> <b>(Rupees Fifty-Seven Crore Ninety-Three Lakh only)</b>				

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### **Detailed Rationale**

The rating assigned to the bank facilities Fouress Engineering (India) Private Limited factors the long operational track record along with significant experience of the present directors and management team, long standing relationship with reputed customers & suppliers, and customized product profile catering to different industries.

The ratings, however, are constrained by declining scale of operations; albeit trend expected to reverse from FY25 onwards, overall weak financial risk profile, working capital intensive nature of operation, and risk associated with the volatility in the price of major raw materials.

#### **Key Rating Sensitivities:**

- **Upward Factors**
  - Significant & sustained growth in operating income and EBITDA margin leading to improvement in debt protection metrics and liquidity.
- **Downward Factors**



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- Any decline in operating income and/or EBITDA margin thereby impacting the debt protection metrics and/or liquidity.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Long operational track record along with significant experience of the present directors and management team**

FEIPL is having the operational track record of more than five decades. Additionally, the present directors are the second-generation entrepreneur carrying the extensive industry experience. The promoter's group are complemented by a team of qualified professionals. Furthermore, the company holds a well-established position within the industrial valve manufacturing sector. It possesses required technical expertise, which has facilitated the acquisition of recurrent orders from both domestic and international clientele.

##### **Long standing relationship with reputed customers & suppliers**

Due to long operational track record and expertise, it is having a longstanding relationship with customers & suppliers, leading to a consistent flow of repeat orders & supply of raw materials respectively. The clientele includes L&T, Mitsubishi Power India Pvt Ltd, TATA Project Limited etc.

##### **Customized product profile catering to different industries**

Company specialises in custom engineered valves and isolators for water, steam, and gas application. The company's customized product profile caters to different industries, it enables the company to acquire orders from domestic and international players.

#### **B. Key Rating Weaknesses**

##### **Declining scale of operations; albeit trend expected to reverse from FY25 onwards**

The company has a moderate scale of operation which is reflected by total operating income in the last 3 Years. The company's total operating income declined from Rs. 73.00 crore in FY21 to Rs. 47.52 Crore in FY24 [(Provisional) refers to period April 1st, 2023, to Mar 31, 2024]. EBITDA of the company improved from Rs. -1.10 Crore in FY23 to Rs. 0.92 Crore in FY24 (P). The EBITDA margin improved from -1.97% in FY23 to 1.94% FY24 (P). Infomerics expects revenue & profitability to improve from FY25 onwards on account of outstanding order



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book of around Rs.65.00 crore as on March 31<sup>st</sup>, 2024. Additionally, there is a positive traction for the product enquiries.

### **Overall weak financial risk profile**

Overall gearing of the company stood moderate at 1.06x as on March 31<sup>st</sup>, 2024 (P) (1.00x as on March 31<sup>st</sup>, 2023). TOL/TNW stood at 5.02x as on March 31<sup>st</sup>, 2024 (4.48x as on March 31<sup>st</sup>, 2022) (Including subordinated unsecured loans treated as quasi equity of Rs.2.81 crore as on March 31, 2024 and Rs. 2.84 crore as on March 31, 2023). The debt protection metrics stood weak reflected by interest coverage Ratio at 0.41x in FY24(-0.37x in FY23) and DSCR at 0.55x in FY24(0.07x in FY23).

### **Working capital intensive nature of operation**

The operations of the company are working capital intensive as indicated by the higher levels of receivables days stood 219 days in FY24 (P) (205 days in FY23) and inventory days stood at 209 days in FY22 (P) (158 days in FY23). The creditors period stood at 179 days in FY24(P) (158 days in FY23).

### **Risk associated with the volatility in the price of major raw materials**

The degree of backward integration defines the ability of the company to withstand cyclical downturns generally witnessed in the steel industry. The company does not have any long-term agreement for procurement of raw material, thus exposing the company to the volatility associated with the raw material price.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

### **Liquidity: Stretched**

The company's liquidity is stretched. The unencumbered cash and bank balance stood at Rs. 4.27 Crore as on 31<sup>st</sup> March 2024 (provisional). The GCA stands negative to Rs. -0.98 Crore



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as on March 31, 2024 (Provisional) against Rs. -2.75 Crore as on March 31, 2023. The current ratio stood moderate at 1.33x as on March 31st, 2024 (P). Operating cycle of the company is stretched at 248 days in FY24 (P) (205 days in FY23). The average fund based working capital utilization stood at 85.42% for the last 12 months ended in March 2024.

### About the company

Fouress Engineering (India) Private Limited is the flagship company of the Fouress Group of companies and commenced operations in 1962. Presently, the company is having the manufacturing facility at Bangalore & Aurangabad.

### Financials (Standalone):

For the year ended* / As on	INR in Crores	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	55.88	47.52
EBITDA	-1.10	0.92
PAT	-4.11	-2.11
Total Debt	14.82	13.34
Tangible Net worth	14.76	12.60
EBIDTA Margin (%)	-1.97	1.94
PAT Margin (%)	-7.18	-4.42
Overall Gearing ratio (X)	1.00	1.06
Interest coverage (x)	-0.37	0.41

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Brickwork Ratings vide press release dated March 04, 2024, migrated the ratings to non-cooperating category due to non-availability of information and non-submission of NDS (No Default Statements).

**Any other information:** N.A.

**Rating History for last 3 years:**



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Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	11.00	IVR BB-/Stable	-	-	-
2.	Term Loans	Long Term	1.88	IVR BB-/Stable	-	-	-
3.	Letter of Credit	Short Term	7.10	IVR A4	-	-	-
4.	Bank Guarantee	Short Term	37.70	IVR A4	-	-	-
5.	Forward Contract	Short Term	0.25	IVR A4	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### Annexure 1: Facility details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	--	-	-	Revolving	11.00	IVR BB-/ Stable
Term Loans	--	-	-	Up to January 2027	1.88	IVR BB-/ Stable
Letter of Credit	--	-	-	-	7.10	IVR A4
Bank Guarantee	--	-	-	-	37.70	IVR A4
Forward contract	--	-	-	-	0.25	IVR A4





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**Annexure 2: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Fouress-Engi-16july24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

