

## Nafref Engineers Private Limited

March 07, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	3.50	<b>CARE C; ISSUER NOT COOPERATING* (Single C ISSUER NOT COOPERATING*)</b>	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.70	<b>CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)</b>	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>6.20 (Rs. Six Crore and Twenty Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd has been seeking information from Nafref Engineers Private Limited (NEPL) to monitor the rating vide e-mail communications/letters dated January 12, 2022, January 13, 2022, January 14, 2022 February 03, 2022, February 10, 2022, February 15, 2022, February 24, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on NEPL's bank facilities will now be denoted as **CARE C; ISSUER NOT COOPERATING /CARE A4; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The rating assigned to the bank facilities of NEPL factors in the company's weak financial profile and elongated operating cycle in FY21 (Audited, refers to period from April 01 to March 31). The rating further remains constrained on account of the presence of NEPL in a highly fragmented and competitive industry. The rating, however, draw comfort from experienced promoters.

### Detailed description of the key rating drivers

At the time of last rating on February 19, 2021 the following were the rating strengths and weaknesses (updated from information available from registrar of companies):

#### Key rating weakness

##### ***Weak Financial Risk profile with elongated operating cycle***

The scale of operations of the company continued to remain small with total operating income at Rs. 3.53 crore in FY21 against Rs.4.11 crore in FY20. However, the company did post a nominal net profit worth Rs. 0.16 crore as compared to a net loss of Rs. 0.80 crore in FY20 due to lower cost of sales. Despite, this the capital structure stands leveraged as on March 31, 2021 owing to erosion of networth caused by losses in the past two years. Further, debt coverage parameters also remained weak owing to thin profitability marked by total debt to gross cash accruals ratio of 46.78 years as on March 31, 2021 and interest coverage ratio of 1.32 times in FY21. Further, NEPL's operating cycle continues to stand elongated at 201 days for FY21 (PY: 131 days) owing to elongated inventory holding days.

##### ***Highly competitive and fragmented industry***

The spectrum of the industry in which the company operates is highly fragmented and competitive marked by the presence of numerous players in India. Hence, the players in the industry do not have any pricing power and are exposed to competition induced pressures on profitability. As such good customer relation and quality maintenance are significantly important for business growth.

#### Key Rating Strengths

##### ***Experienced promoters with long track record of operations***

The company commenced operations in 1979. NEPL is currently being managed by Mr. Sital Singh Bal, Mr. Amanpreet Singh Bal and Mr. Jashanjeet Singh Bal as directors. The directors have a total work experience ranging between four years to four decades which they have gained through NEPL. The directors Mr. Amanpreet Singh Bal and Mr. Jashanjeet Singh Bal are

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

engineering graduates which is likely to benefit NEPL in the long run. Furthermore, the long track record has aided the company in having established relationship with customers and suppliers.

**Analytical approach:** Standalone

**Applicable criteria**

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for Service Sector Companies](#)

[Criteria for Short Term Instruments](#)

**About the Company**

Nafref Engineers Private Limited (NEPL), based in Amritsar, was established as a proprietorship firm in 1979, later incorporated in 2013 as a private limited company. The company is currently being managed by Mr. Sital Singh Bal, Mr. Amanpreet Singh Bal and Mr. Jashanjeet Singh Bal. NEPL is engaged in procurement, designing and commissioning of Air conditioning and heating plants. The firm gets 100% of its business orders through the tendering process. Post 2013, the company has also started to undertake civil construction work; however, has now suspended undertaking the same. NEPL procures Air conditioning and heating components from reputed manufacturers like Voltas, Daikin, Delta Cooling tower, Rapid Cool etc. and installs the system as per requirement of the client.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22 (Prov.)
Total operating income	4.11	3.53	NA
PBILDT	-0.27	0.64	NA
PAT	-0.80	0.08	NA
Overall gearing (times)	NM	NM	NA
Interest coverage (times)	NM	1.32	NA

A: Audited, Prov.: Provisional, NA: Not available, NM: Not Meaningful

**Status of non-cooperation with previous CRA:** CRISIL has retained its ratings assigned to the bank facilities of NEPL vide press release dated April 27, 2021 on account of its inability to carry out a rating surveillance in the absence of the requisite information from the company.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument/facility:** Please refer Annexure-3

**Complexity level of various instruments rated for this Company:** Please refer Annexure-4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	3.50	CARE C; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	2.70	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Working Capital Limits	LT	3.50	CARE C; ISSUER NOT COOPERATING*	-	1)CARE C (19-Feb-21)	1)CARE D (04-Dec-19)	-
2	Non-fund-based - ST-Bank Guarantee	ST	2.70	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (19-Feb-21)	1)CARE D (04-Dec-19)	-

\*Issuer did not cooperate; based on best available information

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

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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**About CARE Ratings Limited:**

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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