

Associated Industrial Furnaces Private Limited

March 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.68	CARE B-; Stable; ISSUER NOT COOPERATING*	Revised from CARE B; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	13.50	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING*	Revised from CARE B; Stable / CARE A4 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Limited has been seeking information from Associated Industrial Furnaces Private Limited (AIFPL) to monitor the rating(s) vide e-mail communications/letters dated November 08, 2023, January 17, 2024 and February 12, 2024 among others 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 rating 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. Further, AIFPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on AIFPL's bank facilities will now be denoted as **CARE B-, Stable/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 ratings have been revised on account of lack of adequate information leading to uncertainty around its credit risk.

The ratings assigned to the bank facilities of Associated Industrial Furnaces Private Limited continues to remain constrained by small scale of operations, leveraged capital structure, highly working capital-intensive operations and its presence in a highly fragmented and competitive nature of the industry.

The ratings; however, continue to derive strengths from long operational track record with experienced promoters and healthy order book position reflecting satisfactory revenue visibility in near to medium term.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on February 07, 2023 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies)-

Key weaknesses

Small scale of operations

The total operating income (TOI) has improved marginally from Rs.8.97 crore in FY21 to Rs.11.86 crore in FY22 and Rs.15.60 crore in 9MFY23. Order book execution has picked up in current FY post Covid-19 disruption in past two years. The company had reported negative operating profit in FY21 on the back of sundry debtors written off amounting to Rs.4.23 crores. During FY22, the company booked operating profit of Rs. 1.62 crores. However, PAT remained same at Rs.0.08 crore due to higher non-operating income derived of sale of property in FY21. In FY23, the company has reported TOI of Rs 20.74 crore and operating profit of Rs 2.68 crore.

Leveraged capital structure and weak debt coverage indicators

The overall gearing ratio had improved to 2.73x as on March 31, 2021 and further to 2.70x as on March 31, 2022 on account of repayment of term loan. In 9MFY23, the promoters have infused unsecured loans amounting to Rs 2.15 crores which was utilised for scheduled repayments of loan as well as prepayments of some of the term loans. Hence the secured term loan balance stood at Rs. 1.68 crores as on January 02, 2023. Although interest coverage

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

stood negative in FY21, however, the same has now improved to 1.11x during FY22. Moreover, the company has availed additional BGs of Rs. 10 crores for the execution of two major projects from NALCO and BALCO in current FY.

The company has reported overall gearing of 2.19x as on March 31, 2023 and interest coverage ratio of 1.27x in FY23.

Working capital intensive nature of operation

The company executes orders for large corporates including government parties and the collections come with a delay leading to high collection periods for last few years. Further with high debtors and sharp decline in total operating income led to further deterioration in collection days in FY20 & FY21. Although o/s debtor levels improved from Rs.41.77 crore as on Mar 2021 to Rs.30.86 crore as on Mar 2022, it again increased to Rs.43.66 crore as on Nov 2022. The o/s debtor level include escalation receivable amounting to Rs. 20.76 crores from NFC India Ltd related to Hindustan Zinc Furnace Project for which NFC India is the primary contractor and AIFPL is the sub-contractor. The company has gone to arbitration claiming the said amount and court hearing is going on. As a result, the operating cycle improved to 968 days in FY22 vis a vis 1476 days in FY21 on account of recovery of some long pending trade receivables. Also, the company is availing high credit period from its sub-contractors which partial offsets its large working capital requirements. Moreover, the average utilisation of fund-based limit stood around 80% during last 12 months ended December 2022.

Highly competitive and fragmented nature of the industry

The business of execution of turnkey contracts for supply, erection, commissioning and maintenance of heat treatment industrial equipment's for steel and aluminium plants is highly fragmented with a large number of small to medium scale organized and unorganized players owing to low entry barriers. High competition in the operating spectrum and small size of the company limits the scope for margin expansion.

Key strengths

Long operational track record and experienced promoters

The company is into execution of work contracts on turnkey basis since 1988 and has more than three decades of long track record of operations. Mr. Saket Agarwal is associated with the company since 2007 and has over a decade of experience in the same line of business and he looks after the overall operations of the company supported by directors Mr. Jagdish Prasad Kanoria and Mr. Chetan Prakash.

Satisfactory order book position

The company executes works for reputed entities like Steel Authority of India Limited, Hindalco Industries Limited, National Aluminium Company Limited, Bharat Aluminium Company Limited etc. It has an order book position of Rs.167.67 crores as on November 30, 2022 which is to be completed by March 2025. The revenue visibility seems to be satisfactory in medium term

Environment, social, and governance (ESG) risks- Not Applicable

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

[Liquidity Analysis of Non-financial sector entities](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial Services & Supplies	Diversified Commercial Services

Associated Industrial Furnaces Private Limited (AIFPL) was incorporated on January 03, 1989 by Mr. Saket Agarwal and others. The company is engaged in execution of turnkey contracts for supply, erection, commissioning and maintenance of heat treatment industrial equipment's for steel and aluminium plants and caters to engineering, refractory manufacturing among other sectors. The client profile of the company includes reputed names like Steel

Authority of India Limited, Hindalco Industries Limited, National Aluminium Company Limited, Bharat Aluminium Company Limited etc.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	11.86	20.74
PBILDT	1.62	2.68
PAT	0.08	0.47
Overall gearing (times)	2.70	2.19
Interest coverage (times)	1.11	1.27

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	5.00	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	May 2024	0.68	CARE B-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee	-	-	-	-	13.50	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	0.68	CARE B-; Stable; ISSUER NOT	-	1)CARE B; Stable	1)CARE B; Stable (30-Mar-22)	-

				COOPERATI NG*		(07-Feb- 23)	2)CARE B-; Stable; ISSUER NOT COOPERATI NG* (19-May-21)	
2	Fund-based - LT-Cash Credit	LT	5.00	CARE B-; Stable; ISSUER NOT COOPERATI NG*	-	1)CARE B; Stable (07-Feb- 23)	1)CARE B; Stable (30-Mar-22) 2)CARE B-; Stable; ISSUER NOT COOPERATI NG* (19-May-21)	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST ^	13.50	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATI NG*	-	1)CARE B; Stable / CARE A4 (07-Feb- 23)	1)CARE A4 (30-Mar-22) 2)CARE A4; ISSUER NOT COOPERATI NG* (19-May-21)	-

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

^Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of all the entities consolidated- Not Applicable

Note on the complexity levels of the rated instruments: CARE Ratings 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 for any clarifications.

Contact us

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About us:

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