

## Certification Engineers International Limited

August 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	18.00	CARE AA; Stable / CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Certification Engineers International Limited (CEIL) primarily factor in the strong parentage of Engineers India Limited (EIL, rated 'CARE AAA; Stable/CARE A1+'), and business and management linkages with the parent. EIL's parentage provides it strong liaison with other public sector undertakings (PSUs) for securing certification assignments and imparts stable revenue visibility. The board of CEIL is headed by Vartika Shukla, who is also the Chairman and Managing Director (CMD) of EIL, underpinning the linkages in the management of the two companies.

Ratings also consider CEIL's track record of nearly 30 years in providing third-party inspection services across a gamut of projects, such as housing, roads, bridges, flyovers, indoor stadium, outdoor stadium, sewerage treatment plants, water treatment plants, and drinking water distribution. Ratings are also strengthened by the low leverage, satisfactory profitability and liquidity position of the company with the absence of fund-based debt. CARE Ratings Limited (CareEdge Ratings) does not expect large debt addition in the medium term.

However, the rating strengths are tempered due to small scale of operations with revenue in the range of ₹45-₹50 crore during FY20 to FY24. The performance has witnessed improvement in FY25 (FY refers to April 01 to March 31) with revenue registering a growth of 22% y-o-y and improved profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin to 34.81% in FY25 (PY: 24.71%) driven by improved absorption of fixed costs, with manpower cost being the major cost component. CareEdge Ratings takes cognisance of the signed memorandums of association (MoAs) with Oil and Natural Gas Corporation Limited (ONGC, rated 'CARE AAA; Stable/CARE A1+'), Ircon International Limited (IRCON), and Nuclear Power Corporation of India Limited (NPCIL, rated 'CARE AAA; Stable/CARE A1+') for certification of their projects which provides growth potential and is likely to aid in scaling up the business.

Ratings are also constrained by elevated working capital intensity and competitive nature of the certification industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growth in order book and improvement in scale of operation while maintaining profitability.

#### Negative factors

- Moderation in credit profile of EIL.
- Reduction in shareholding of EIL below 51% or absence of need-based support from parent, EIL.
- Increased debt level with total debt/earnings before interest, taxation, depreciation, and amortisation (EBITDA) above 2x on a sustained basis.
- Increase in gross current asset days leading to stress on working capital and significant depletion of cash balance.

**Analytical approach:** CareEdge Ratings has analysed CEIL's credit profile by assessing its standalone financials and applying a notch-up considering its majority ownership by EIL and management and business linkages with EIL.

### Outlook: Stable

The stable outlook assigned to the facilities of CEIL considers the continuation of the benefits received from the parentage with EIL and the expectation of growth in scale of operations and comfortable liquidity profile.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Strong parentage of EIL and linkages with CEIL

CEIL is a wholly owned subsidiary of EIL, a Central Public Sector Enterprise (CPSE) with majority ownership (51.32% shareholding as on June 30, 2025) of GoI operating under the administrative control of Ministry of Petroleum and Natural Gas (MoPNG). EIL holds a 'Navratna' status and is engaged in project management consultancy (PMC) and turnkey works specially in the Oil and Gas segment. Vartika Shukla, Chairperson and Managing Director, EIL, also holds the position of Managing Director at CEIL. EIL reported a total operating income of ₹3,088 crore in FY25 (FY refers to April 01 to March 31) where the PBILDT margin stood at 16.59%. The order book stood at ₹11,717 crore as on March 31, 2025, comprising ₹6,648 crore from the consultancy segment and ₹5,069 crore from the turnkey segment providing strong revenue visibility. This and low leverage renders a strong credit profile to EIL. The parentage with EIL provides it strong liaison with other public sector undertakings (PSUs) for securing certification assignments and imparts stable revenue visibility to CEIL.

CareEdge Ratings expects the management and business linkages to continue in the medium term and deviation from the same shall be a key rating sensitivity.

#### Long presence in the certification sector

CEIL has a long presence of close to three decades as a Testing, Inspection, and Certification (TIC) agency specialising in quality assurance and control in project execution, construction supervision, and expediting services. CEIL has also partnered with Indian Railways and its PSUs and has emerged as an approved TIC agency for fabrication inspection of girders. It has conducted inspection of over 1.8 lakh metric tonne fabrication for Indian Railways and its PSUs. CEIL has signed MoAs with ONGC, IRCON, and NPCIL for certification of their projects which provides growth potential and is likely to aid scaling up business. CEIL has applied for Miniratna status with the Department of Public Enterprises, as it is currently meeting the eligibility criteria for the same.

#### Low leverage, robust profitability, and strong liquidity

CEIL is a debt free company with the entire working capital requirement funded through internal accruals and liquid balance. On books, CEIL has only lease liabilities amounting to ₹0.16 crore as on March 31, 2024 (PY: ₹0.32 crore). CEIL is able to generate cash accruals in the range of ₹10-12 crore annually largely supported by healthy PBILDT margin of 34.81% in FY25 (PY: 24.71%). This improvement in PBILDT margin is primarily driven by better absorption of fixed costs, with manpower cost being the major cost component. With MOAs signed, CEIL expects accruals to improve going forward. Additionally, CEIL maintains robust liquidity of ₹80.81 crore as on September 30, 2024, largely in the form of fixed deposits amounting to ₹78.03 crore, with the balance held as cash.

### Key weaknesses

#### Small scale of operations despite long track record

CEIL has been in the TIC industry for several decades. However, the scale of operations continues to remain modest with revenue in the range of ₹45-₹50 crore during FY20 to FY24. In FY25 (FY refers to April 01 to March 31), CEIL's income from operations increased to ₹62.08 crore, registering a Y-o-Y growth of 22% over FY24. The total unexecuted order book as on December 31, 2024, stood at ~₹55.83 crore (March 31, 2024: ₹75.14 crore) deterring the scaling up of revenues. However, the recent MoAs entered with reputed PSUs are expected to aid in scaling up of the business. Timely fructification of the desired outcome from such MoAs is critical from credit perspective.

#### High working capital intensity due to elevated receivables

Operations of the company are capital intensive with gross current assets days standing at 211 days as on March 31, 2024, primarily due to a prolonged collection period of 179 days reflecting slow-moving receivables particularly from municipal bodies. Municipal bodies are having significant contribution to revenue, which have an extended cash collection cycle stretching the receivables. The receivables including unbilled revenues form ~52% of the revenue for FY24 (FY23: ~50%).

#### High competitive intensity in the certification sector

The TIC industry in India is characterised by intense competitiveness, driven by rapid market growth, stringent regulatory requirements, and technological advancements. With the sector projected to expand from USD 7.62 billion in 2024 to USD 10.68 billion by 2033, companies are under pressure to enhance service quality, speed, and compliance to meet both domestic and international standards. The influx of global players has intensified local competition, compelling Indian firms to modernise and automate their offerings or perish. Concurrently, the government's emphasis on quality assurance, exemplified by initiatives, such as 'Make in India' and 'Atmanirbhar Bharat', has led to increased demand for certification services across sectors, such as

automotive, pharmaceuticals, food safety, and construction. Despite growth prospects, smaller companies face difficulties in obtaining necessary accreditations due to substantial initial capital requirements. Additionally, the lack of standardised testing protocols across industries also hinders market expansion.

#### **Liquidity: Strong**

The liquidity position of CEIL continues to be strong as reflected by gross cash accruals (GCA) of ₹12.09 crore against nil external debt as on March 31, 2024. CEIL maintains robust liquidity of ₹80.81 crore as on September 30, 2024, largely in the form of fixed deposits amounting to ₹78.03 crore, with the balance held as cash.

#### **Assumptions/Covenants: Not applicable**

#### **Environment, social, and governance (ESG) risks: Not applicable**

#### **Applicable criteria**

[Policy on Default Recognition](#)

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

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial Ratios – Non financial Sector](#)

[Services Sector](#)

[Notching by Factoring Linkages in Ratings](#)

[Rating of Short Term Instruments](#)

#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial services and supplies	Consulting services

CEIL (a Government India Undertaking and a wholly owned subsidiary of EIL) undertakes activities related to Certification Re-certification, Safety Audits and Health, Safety, and Environment (HSE) Management Systems for Offshore and Onshore Oil & Gas facilities. It also undertakes Third Party Inspection (TPI) of materials, high-end technology equipment and installations in the hydrocarbon, cross country pipelines, infrastructure, railways, smart cities, solar energy, nuclear energy, defence sectors, nuclear submarine and warship and other quality sensitive sectors of the industry.

The company was carved out of Engineers India Certification Agency (EICA), which had been carrying out Certification activities as a Division of EIL Since 1984.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	47.85	50.95
PBILDT	9.94	12.60
PAT	9.82	12.44
Overall gearing (times)	0.00	0.00
Interest coverage (times)	133.40	182.39

A: Audited; Note: these are latest available financial results

#### **Status of non-cooperation with previous CRA: Not applicable**

#### **Any other information: Not applicable**

#### **Rating history for last three years: Annexure-2**

#### **Detailed explanation of covenants of rated instrument / facility: Annexure-3**

#### **Complexity level of 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 and Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantee	NA	-	-	-	18.00	CARE AA; Stable / CARE A1+

NA: Not applicable

**Annexure-2: Rating history for 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 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	18.00	CARE AA; Stable / CARE A1+	-	-	-	-

LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

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

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