

Rating Advisory

January 12, 2023 | Mumbai

Technofab Engineering Limited

Update as on January 12, 2023

This rating advisory is provided in relation to the rating of Technofab Engineering Limited

The key rating sensitivity factors for the rating include:

Upward factors

- Repayment of entire overdue amount along with track record of timely servicing of debt
- Sustained improvement in liquidity, aided by cash accrual of Rs 1 crore and above and easing working capital requirement

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Technofab Engineering Limited (TEL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If TEL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

Incorporated in 1971, TEL provides EPC services on a turnkey basis. It undertakes balance-of-plant and electro-mechanical projects in the power, oil and gas, water and waste-water treatment, and other industrial and infrastructure sectors in India and abroad. The corporate office and manufacturing unit for fabrication and assembly are in Faridabad, Haryana. The company is listed on the Bombay Stock Exchange and the National Stock Exchange.

On consolidated basis, for the quarter ended June 30, 2021, loss before tax was Rs 2.72 crore and revenue was Rs 9.85 crore, against loss before tax of Rs 56.58 crore and revenue of Rs 1.55 crore for the corresponding period of the previous fiscal.

About CRISIL Ratings Limited (a subsidiary of CRISIL Limited)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/ partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings is registered in India as a credit rating agency with the Securities and Exchange Board of India ('SEBI').

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global, Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL Privacy Notice

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy, please visit www.crisil.com

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the

confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011 to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: www.crisil.com/ratings/credit-rating-scale.html

Rating Rationale

October 22, 2021 | Mumbai

Technofab Engineering Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.1075 Crore
Long Term Rating	CRISIL D (Reaffirmed)
Short Term Rating	CRISIL D (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL D/CRISIL D' ratings on the bank facilities of Technofab Engineering Limited (TEL).

The ratings continue to reflect delays by TEL in servicing its debt.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of TEL and its subsidiaries, Arihant Flour Mills Pvt Ltd, Woodlands Instruments Pvt Ltd, and Rivu Infrastructural Developers Pvt Ltd, considering their strong financial and operational linkages.

TEL is availing of interest-bearing advances as an alternative to bank borrowings, which have been considered as debt.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

• Delay in servicing debt

TEL has not been able to service its debt because of insufficient cash accrual and poor liquidity. The bankers have confirmed the same, and the company remains classified as a non-performing account. A merchant banker has been appointed for the restructuring of debt and the process is underway.

Weakness:

- **Large working capital requirement:** Operations are highly working capital intensive in the engineering, procurement and construction (EPC) business, as players receive payments based on milestones achieved and clients tend to withhold sizeable amounts in the form of retention money. Receivables of TEL stood at Rs 265.9 crore as on March 31, 2021, compared with operating revenue of Rs 27 crore for fiscal 2021

Strength:

- **Strong track record:** TEL has a track record of over four decades in the EPC business, with strong capabilities in executing turnkey projects.

Liquidity: Poor

Cash accrual was negative in fiscal 2021 and in the first quarter of fiscal 2022. Moreover, limited revenue visibility and large working capital requirement will continue to strain liquidity. As a result, the delay in servicing of debt will likely continue.

Rating Sensitivity factors

Upward factors

- Repayment of entire overdue amount along with track record of timely servicing of debt
- Sustained improvement in liquidity, aided by cash accrual of Rs 1 crore and above and easing working capital requirement

About the Company

Incorporated in 1971, TEL provides EPC services on a turnkey basis. It undertakes balance-of-plant and electro-mechanical projects in the power, oil and gas, water and waste-water treatment, and other industrial and infrastructure sectors in India

and abroad. The corporate office and manufacturing unit for fabrication and assembly are in Faridabad, Haryana. The company is listed on the Bombay Stock Exchange and the National Stock Exchange.

On consolidated basis, for the quarter ended June 30, 2021, loss before tax was Rs 2.72 crore and revenue was Rs 9.85 crore, against loss before tax of Rs 56.58 crore and revenue of Rs 1.55 crore for the corresponding period of the previous fiscal.

Key Financial Indicators

Particulars	Unit	2021	2020
Revenue	Rs crore	27	57
Profit after tax (PAT)	Rs crore	-128	-239
PAT margin	%	-475.7	-419.9
Adjusted debt/adjusted networkth	Times	-2.82	24.02
Interest coverage	Times	-7.17	-1.59

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Bank Guarantee^	NA	NA	NA	375	NA	CRISIL D
NA	Bank Guarantee&	NA	NA	NA	83	NA	CRISIL D
NA	Bank Guarantee%	NA	NA	NA	107	NA	CRISIL D
NA	Bank Guarantee\$	NA	NA	NA	45	NA	CRISIL D
NA	Bank Guarantee	NA	NA	NA	182	NA	CRISIL D
NA	Cash Credit#	NA	NA	NA	52	NA	CRISIL D
NA	Cash Credit@	NA	NA	NA	15	NA	CRISIL D
NA	Cash Credit	NA	NA	NA	48	NA	CRISIL D
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	168	NA	CRISIL D

Fully interchangeable with export packing credit and foreign bill purchase

@ Includes Rs 10 crore sublimit of export packing credit and foreign bill purchase

& Includes a letter of credit sublimit of Rs 25 crore

\$ Includes a letter of credit sublimit of Rs 15 crore

^ Includes a letter of credit sublimit of Rs 59 crore

% Includes a letter of credit sublimit of Rs 27 crore

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Arihant Flour Mills Pvt Ltd	Full	Financial and operational linkages
Woodlands Instruments Pvt Ltd	Full	Financial and operational linkages
Rivu Infrastructural Developers Pvt Ltd	Full	Financial and operational linkages

Annexure - Rating History for last 3 Years

	Current			2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	283.0	CRISIL D		--	23-07-20	CRISIL D	17-04-19	CRISIL D	17-04-18	CRISIL BBB+/Negative	CRISIL BBB+/Stable
			--		--		--	17-01-19	CRISIL BB/Negative		--	--
Non-Fund Based Facilities	ST	792.0	CRISIL D		--	23-07-20	CRISIL D	17-04-19	CRISIL D	17-04-18	CRISIL A2	CRISIL A2
			--		--		--	17-01-19	CRISIL A4+		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	130	CRISIL D
Bank Guarantee ^{&}	83	CRISIL D
Bank Guarantee	52	CRISIL D
Bank Guarantee [^]	375	CRISIL D
Bank Guarantee [%]	107	CRISIL D
Bank Guarantee ^{\$}	45	CRISIL D
Cash Credit [#]	52	CRISIL D
Cash Credit	7	CRISIL D
Cash Credit	18.5	CRISIL D
Cash Credit [@]	15	CRISIL D
Cash Credit	10	CRISIL D
Cash Credit	12.5	CRISIL D
Proposed Long Term Bank Loan Facility	8	CRISIL D
Proposed Long Term Bank Loan Facility	160	CRISIL D

& - Includes a letters of credit sub-limit of Rs. 25 crore

[^] - Includes a letters of credit sub-limit of Rs. 59 crore

[%] - Includes a letter of credit sub-limit of Rs. 27 crore

^{\$} - Includes a letter of credit sub-limit of Rs. 15 crore

[#] - Fully interchangeable with export packing credit and foreign bill purchase

[@] - Includes Rs.10 crore sub-limit of export packing credit and foreign bill purchase

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt
CRISILs Criteria for Consolidation

Media Relations	Analytical Contacts	Customer Service Helpdesk
Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com	Manish Kumar Gupta Senior Director CRISIL Ratings Limited B:+91 124 672 2000 manish.gupta@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com
Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com	Nitesh Jain Director CRISIL Ratings Limited D:+91 22 3342 3329 nitesh.jain@crisil.com	For Analytical queries: ratingsinvestordesk@crisil.com
	VIJAY KRISHAN GUPTA Manager CRISIL Ratings Limited B:+91 22 3342 3329 VIJAY.GUPTA@crisil.com	

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ("CRISIL Ratings") is a wholly-owned subsidiary of CRISIL Limited ("CRISIL"). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale (each a "Report") that is provided by CRISIL Ratings Limited (hereinafter referred to as "CRISIL Ratings"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. Rating by CRISIL Ratings contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way. CRISIL Ratings or its associates may have other commercial transactions with the company/entity.

Neither CRISIL Ratings nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Ratings Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Ratings Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL RATINGS' PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL Rating's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <http://www.crisil.com/ratings/highlightedpolicy.html>

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL Ratings you may contact CRISIL RATING DESK at CRISILRatingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings Limited is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011 to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: www.crisil.com/ratings/credit-rating-scale.html