



Press Release

S.S. Fabricators and Manufacturers (SSFM)

October 07, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Facility – Fund Based – Cash Credit	12.00 (enhanced from INR10.00 crore)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
2.	Short Term Facility – Non Fund Based – Bank Guarantee	30.00 (enhanced from INR20.00 crore)	IVR A3 (IVR A Three)
	Total	42.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of the entity derives comfort from their extensive experience of promoters, healthy order book and established relationship with customers ensuring repeat orders and a comfortable capital structure with high coverage indicators. However, customer and supplier concentration risk, raw material price fluctuation risk, project execution risk.

Key Rating Sensitivities

Upward factors:

- Substantial & sustained improvement in revenue backed by order book growth while maintaining the profitability & debt protection metrics.

Downward factors:

- Any decline in revenue & profitability leading to deterioration in debt protection metrics.
- Slowdown in order book addition and execution



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Promoters

Mr. Pawan Kumar Omprakash Chokhani is the main promoter of the group. Mr Pawan Chokhani has nearly three decades of rich experience in the industry, and is responsible for the overall operations of the company. The promoters' extensive industry experience has enabled the company to sustain and grow its operations. The promoters opened the flagship company, SSFM which was established in 1983 is a registered Class 1A contractor with Vidarbha Irrigation Development Corporation which enables the firm to bid on any project of their choice on EPC contract basis. The extensive experience of the promoters in the industry along with their ability to bid and execute tenders and their established relationship with clients has continued to support to business risk profile of the group.

Healthy order book and established relationship with customers ensuring repeat orders

The group's revenue has registered a compounded annual growth rate of ~34% during FY17-FY20 (provisional) owing to better rates & higher execution. The group has demonstrated strong execution capability in the past two years by successfully completing orders of government entities, G E Power India Ltd and Mitsubishi Hitachi Power System India Pvt Ltd to name a few, which has seen the top-line of the company increase during FY19 to FY20 (P), supported by an increase in EBITDA from INR18.63 crore in FY19 to INR26.73 crore in FY20 (P). The group has an order book having unexecuted orders amounting to INR361.75 crore, majority of which the company is expecting to realise within FY21. The group has had long standing relationship with their clients which has enabled them to obtain repeat order in larger numbers.

Comfortable Capital Structure with high coverage indicators

The group's debt profile mainly comprises of short term borrowings (working capital borrowings); off the total debt amounting to INR35.76 crore in FY20 (P) – INR26.04 core amounts to short term borrowings and INR9.72 crore pertains largely towards long term loans taken for the purpose of purchase of machinery. The capital structure, as indicated by Total outside Liabilities / Tangible Net Worth (TNW), stands at a healthy level of 1.43



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times and the overall gearing ratio stands at 0.41x in FY20 (P). The interest coverage ratio remains strong at 3.16x in FY20 (P); the ratio has declined marginally due to an increase in long term bank borrowings and a minor increase in working capital utilisation.

Key Rating Weaknesses

Customer and Supplier concentration risk

The group's top six suppliers constitute almost 80% entire raw purchases during FY20, indicating concentration risk for the group. The group's 5 top customer constitutes around 93.07% of the total revenues in the manufacturing division; over-reliance on the same customer's exposes the group to uneven profits and sales as the inflows of the group would depend on their client's performance, strategies and their overall business plans for their product.

Raw material price fluctuation risk

The price of steel has seen a lot of volatility over the last three years. The costs of raw materials and finished goods are volatile in nature and hence, profitability of the company is susceptible to fluctuation in the prices of its raw material prices and/or its finished goods. However, company places the major raw material orders at the time of receiving the order itself, which mitigate the price fluctuation risk to some extent. The group has a high amount of receivables and inventory due to the nature of the industry they operate in which has contributed to an increase in the operating cycle. SSFM has incorporated cost escalation clauses into their contracts which enables them to mitigate and raw material fluctuation risk and risk is mitigated.

Project execution risk

The ability of the group to execute orders in a timely fashion as stipulated in their contract with their customers remains of paramount importance as any delays in execution of contracts can lead to the company having to pay liquidated damages to the opposite party thereby impacting the profitability.



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Analytical Approach: Consolidated

Infomerics has considered the consolidated financial profiles of S.S. Fabricators and Manufacturers, Fabrimax Engineering Pvt Ltd and Fabtech Engineering Pvt Ltd (herein referred to as 'group') to arrive at the rating. The consolidation is on account of common management and significant operational and financial linkages.

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The liquidity of the group is adequate as reflected in their comfortable current ratio of 1.67x and quick ratio 1.09x in FY20 (P). The group has GCA of INR13.85 crore and cash and cash balances amounting to INR12.00 crore in FY20 (P), which are adequate to cover any short term debt obligations.

About the company

S.S. Fabricators and Manufacturers (SSFM) was established in 1983 and is promoted by Chokhani family. Fabrimax Engg Pvt Ltd (FEPL) was formed in 2005 mainly to distinguish the clientele of the group. SSFM is responsible for bidding and execution of government contracts, S.S. Fabricators and Manufacturers (SSFM) are engaged in fabrication and installation of gates at dams and barrages, laying pipelines, and machine fabrication jobs. SSFM is an engineering procurement and construction contractor and is registered as Class 1A contractor with Vidarbha Irrigation Development Corporation, which lets the firm to bid for orders of all sizes; their major source of revenue is from irrigation projects undertaken in Maharashtra.



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Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Provisional)
Total Operating Income	40.15	67.48	82.76
EBITDA	6.72	12.81	17.12
PAT	3.51	5.86	5.96
Total Debt	10.56	22.57	19.66
Tangible Net-worth	15.43	17.81	21.88
Ratios			
EBITDA Margin (%)	16.74	18.99	20.68
PAT Margin (%)	8.52	8.57	7.15
Overall Gearing Ratio (x)	0.55	0.73	0.56

* Classification as per Infomerics' standards

Financials (Consolidated)*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Provisional)
Total Operating Income	83.40	109.76	150.15
EBITDA	13.95	18.63	26.73
PAT	6.08	8.17	8.38
Total Debt	29.62	47.80	35.76
Tangible Net-worth	32.51	37.16	51.66
Ratios			
EBITDA Margin (%)	16.73	16.97	17.80
PAT Margin (%)	7.14	7.35	5.55
Overall Gearing Ratio (x)	0.73	0.87	0.41

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

Any other information: None



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (PR dated July 19, 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility – Fund Based – Cash Credit	Long Term	12.00	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable Outlook	--	--
2.	Short Term Facility – Non Fund Based – Bank Guarantee	Short Term	30.00	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable Outlook	--	--

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Facility – Fund Based – Cash Credit	NA	NA	Revolving	12.00	IVR BBB-/ Stable Outlook
Short Term Facility – Non Fund Based – Bank Guarantee	NA	NA	Less than 1 year	30.00	IVR A3