



Press Release

Ess Ess Kay Engineering Company Private Limited (SSK)

December 21, 2022

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Facility – Fund Based – Term Loan	2.36 (Reduced from Rs.4.80 crores)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating revised, and removed from Issuer Not Co-operating Category*	Simple
Long term Bank Facility – Cash Credit	32.50 (Increased from Rs. 17.50 crores)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating revised, and removed from Issuer Not Co-operating Category*	Simple
Short term Fund based Bank Facility – Bank Guarantee	14.40	IVR A3 (IVR A Three)	Rating revised, and removed from Issuer Not Co-operating Category*	Simple
Proposed Long Term Fund Based Facility	0.00 (Reduced from Rs. 12.60 crores)	--	Withdrawn**	--
Total	49.26	(Rupees Forty-Nine Crores and Twenty-Six Lakhs only)		

*Issuer did not cooperate; based on best available information

**Withdrawn since the same has been sanctioned vide letter dated September 13, 2022

Details of Facilities are in Annexure 1

Detailed Rationale:

The revision of the ratings assigned to the bank facilities of SSK factors in the overall improvement in the financial risk profile and its overall performance in H1FY23 which is expected to sustain in H1FY23 and beyond. It derives comfort from its established track record of operations and experienced management, comfortable financial risk profile, long term relationships with customers providing revenue visibility via stable order book levels. However, the rating strengths are partially offset by the vulnerability of movement in prices of raw materials and sectoral concentration risk.



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The rating was migrated to ISSUER NOT COOPEARTING category as Ess Ess Kay Engineering Company Private Limited (SSK) had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, SSK has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPEARTING category.

Key Rating Sensitivities:

Upward Factors

- Sustained and significant improvement in the scale of operations while improving profitability & debt protection metrics.

Downward Factors

- Any decline in scale of operations and/or profitability, leading significant deterioration of debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths:

Established track record of operations and experienced management

SSK was incorporated in the year 1964, thus has a long track record of operations in the said industry. A long track record in the industry has enabled the Company to establish a strong customer base over these years. The current promoter, Mr. Nitin Khosla (Managing Director), himself has more than 4 decades of experience in manufacturing electrical switches and allied products. Moreover, expansion of the product portfolio has enhanced the growth prospects of the Company.

Improving Revenue & Profitability

The overall revenue improved to Rs.168.69 crore in FY22 from Rs.137.76 crore in FY21 on account of the steady inflow of orders and better realisation. EBITDA margins improved to 10.49% in FY22 (FY21:9.02%). EBITDA margins depends upon the type & scope of the project. During H1FY23, the company has achieved the revenue of Rs.92.63 crore (H1FY22 Rs.79.63 crore)

Comfortable financial risk profile



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The financial risk profile of the firm is comfortable marked by moderate net worth, comfortable gearing, and moderate debt protection metrics. The overall gearing stood at 0.72x as on March 31, 2022, as against 1.00x as on March 31, 2021. The tangible net worth stood at Rs.41.91 Crore as on March 31, 2022, when compared to Rs.33.31 Crore as on March 31, 2021, mainly due to retention of profit into reserves. Debt protection metrics in the form of interest coverage (ICR) improved significantly to 9.01x in FY22 when compared to 3.97x in FY21. The working capital cycle remains efficiently managed backed by an improving trend in the debtor period of 70 days in FY22 when compared to 87 days in FY21.

Long term relationships with customers providing revenue visibility via stable order book levels

The firm has a long-standing association with the Indian Railways and has been supplying power and control cabinets for cabin cars and heating ventilation and air conditioning units for over two decades now. Primarily from the Indian Railways, the approx. order book stood at around Rs.80.00 crore majorly of which is to be executed in FY2023. Well established relations with the Indian Railways shall result in steady order flows in the future for the company.

B. Key Rating Weaknesses

Profitability remains vulnerable to movement in prices of raw materials and sectoral concentration risk

The Company is exposed to fluctuation in the prices of key raw materials, given the fixed price nature of orders. Moreover, the Company's profitability is also susceptible to intense competition owing to the presence of various organized and unorganized players. The Company's major revenue is derived from sales to Indian Railways (~73% in FY22). Increased share of supply to the Indian Railways limits the pricing flexibility and bargaining power, thereby impacting the profitability further. However, long-term association of the Company with Indian Railways helps in repeated orders which provides revenue visibility for the short to medium term.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Criteria of Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)



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Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The liquidity position of the company remained adequate due to moderate cushion in gross accruals vis-à-vis repayment obligations. The Company maintains unencumbered cash and bank balances of Rs.11.18 Crore as on March 31, 2022. Furthermore, the current ratio stood 1.68x as on March 31, 2022, and 1.56x as on March 31, 2021. The company's working capital utilisation also remains moderate at ~55% for the 12 months ended October 2022.

About the Company:

Ess Ess Kay Engineering Company Private Limited (SSK) was incorporated in the year 1964 and engaged in manufacturing of modular switches, regular switches, board mounting switches, MCB, changeover switches, distribution board and panels, power control panels, mounted air conditioning unit for Indian Railways and LED lights, etc. The company currently operates under the brand name of 'SSK'. Presently, the business operations are over seen by Mr. Nitin Khosla (Managing Director) who has been into the business and in the industry since almost 4 decades.

Financials Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	137.76	168.69
EBITDA	12.42	17.69
PAT	3.83	9.12
Total Debt	33.81	30.20
Tangible Net-worth	33.31	41.91
Ratios		
EBITDA Margin (%)	9.02	10.49
PAT Margin (%)	2.78	5.41
Overall Gearing Ratio (x)	1.01	0.72

**Classification as per Infomerics Standards*

Status of non-cooperation with previous CRA: Brickwork Ratings in their press release



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dated July 14, 2022, have continued to classify Ess Ess Kay Engineering Company Private Limited as ISSUER NOT COOPERATING.

Any other information: Not Applicable

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2022-23)				Rating History for the past years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating assigned (Aug 10, 2022)	Date(s) & Rating assigned in 2021-22 (May 21, 2021)	Date(s) & Rating assigned in 2020-21 (Jun 3, 2020)	Date(s) & Rating assigned in 2020-21 (May 28, 2020)
1.	Long Term Fund Based Facility – Term Loan	Long Term	2.36	IVR BBB-/ Stable	IVR BB+/ INC	IVR BB+/ Positive	IVR BB+/ Stable	--
2.	Long Term Fund Based Facility- Cash Credit	Long Term	32.50	IVR BBB-/ Stable	IVR BB+/ INC	IVR BB+/ Positive	IVR BB+/ Stable	IVR BB+/ Stable
3.	Short Term Fund Based Bank Facility – Bank Guarantee	Short Term	14.40	IVR A3	IVR A4+/ INC	IVR A4+	IVR A4+	--
4.	Proposed Long term Fund Based Facility	Long Term	--	Withdr awn*	IVR BB+/ INC	IVR BB+/ Positive	IVR BB+/ Stable	--

* Withdrawn since the same has been sanctioned vide letter dated September 13, 2022

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India



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registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	--	--	September 2023	2.36	IVR BBB-/ Stable
Cash Credit	--	--	--	32.50	IVR BBB-/ Stable
Bank Guarantee	--	--	--	14.40	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-ESS-Kay-dec22.pdf>

Name of Lender/Banker	Facilities	Nature	Rated Amount (Rs. crore)
HDFC Bank	Term Loan	Long Term	2.36
Punjab National Bank	Cash Credit	Long Term	17.50
HDFC Bank	Cash Credit	Long Term	15.00
HDFC Bank	Bank Guarantee	Short Term	0.40
Punjab National Bank	Bank Guarantee	Short Term	14.00

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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 <https://www.infomerics.com/>.