



## Press Release

### Ess Ess Kay Engineering Company Private Limited (SSK)

February 22, 2024

#### Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities-Cash Credit	22.50 (reduced from 32.50)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities -Term loan	1.70 (reduced from 2.36)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities-BG	14.00 (reduced from Rs 14.40)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Long Term Bank Facilities-Cash Credit	10.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Long Term Bank Facilities -Term loan	1.20	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>49.40</b> (Forty-nine crore and forty lakhs only)			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale:

The reaffirmation of ratings to the bank facilities of Ess Ess Kay Engineering Company Private Limited (SSK) derives strength from comfortable credit profile and capital structure, healthy order book, established track record of operations and experienced management, However, the ratings are constrained on account of moderate revenue and profitability, vulnerability of movement in prices of raw materials and sectoral concentration risk.



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### Key Rating Sensitivities:

#### Upward Factors

- Substantial improvement in scale of operations, backed by significant improvement in profitability margins while maintaining the current credit profile on a sustained basis.

#### Downward Factors

- Any further deterioration in the revenue and/or profitability and/or credit profile on a sustained basis.

### Key Rating Drivers with detailed description

#### Key Rating Strengths:

##### **Comfortable credit profile and capital structure**

The capital structure marked by adjusted overall gearing has improved and stood at 0.62x as on March 31, 2023 {vis-à-vis 0.72x as on March 31, 2022} on account of increase in the net worth of the company. Owing to above, total outside liabilities to adjusted tangible net worth ratio has also improved and stood at 1.09x as on March 31, 2023 {vis-à-vis 1.50 x as on March 31, 2022}.

##### **Healthy order book**

SSK has unexecuted orders of Rs 170.2 crores as on January ,2024, which is 1.08x of TOI of FY 23. Out of the unexecuted orders of Rs 170.2 crores, Rs 48.17 crore will be executed by March 2024 and rest are expected to be executed over the next 12 months, providing medium term revenue visibility.

##### **Established track record of operations and experienced management.**

Incorporated in 1964, SSK has more than six decades of track record in the 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.



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### B. Key Rating Weaknesses

#### **Moderate revenue and profitability**

The top line of the SSK has declined by 5.95% to Rs. 157.73 crores in FY23 from Rs.167.74 crore in FY22, mainly on account of receipt of less tenders from Government than expected. However, despite the lower revenue, SSK has maintained its profitability margins. EBIDTA and PAT margin stood at 9.47% and 4.94% in FY 23 respectively as compared to 9.75% and 5.09% in FY 22 respectively. The stabilization of margins was mainly because the company executed only high margin orders during the year. SSK achieved a total revenue of Rs.117.05 crores during 9MFY24.

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

SSK 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 (~70% in FY23). 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 SSK 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](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

#### **Liquidity – Adequate**

SSK has an adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company is expected to generate adequate gross cash accruals in the range of Rs. 15.00-16.00 crores in the projected period FY24-26 as against debt



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repayments of around Rs. 3.00 - 4.00 crore each in FY24, FY25 and FY26. Further, its average fund based working capital utilization for the 12 months ended December 2023 stood low at around ~34% which provides sufficient liquidity buffer. The company also has cash and cash equivalents of Rs.16.15 crores as on March 31, 2023.

### About the Company:

SSK was incorporated in the year 1964, and engaged in into 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'.

### Financials Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	168.69	157.73
EBITDA	17.69	14.94
PAT	9.12	7.83
Total Debt	30.20	30.90
Tangible Net-worth	41.91	49.65
<b>Ratios</b>		
EBITDA Margin (%)	10.49	9.47
PAT Margin (%)	5.41	4.94
Overall Gearing Ratio (x)	0.72	0.62

*\*Classification as per Infomerics Standards*

**Status of non-cooperation with previous CRA:** Brickwork Ratings in their press release dated October 3,2023, have continued to classify Ess Ess Kay Engineering Company Private Limited as ISSUER NOT COOPERATING on account of lack of information.

**Any other information:** Not Applicable



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### Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past years			
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating assigned in 2021-22 (Dec 21,2022)	Date(s) & Rating assigned in 2021-22 (August 10, 2022)	Date(s) & Rating assigned in 2021-22 (May 21, 2021)	Date(s) & Rating assigned in 2020-21 (Jun 3, 2020)
1.	Long Term Fund Based Facility – Term Loan	Long Term	2.90	IVR BBB-/ Stable	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 BBB-/ Stable	IVR BB+; INC	IVR BB+/ Positive	IVR BB+/ Stable
3.	Short Term Fund Based Bank Facility – Bank Guarantee	Short Term	14.00	IVR A3	IVR A3	IVR A4+; INC	IVR A4+	IVR A4+

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India



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(RBI). Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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 1	--	--	September 2028	1.70	IVR BBB-/ Stable
Term Loan 2			March 2028	1.20	IVR BBB-/ Stable
Cash Credit	--	--	--	15.00	IVR BBB-/ Stable
Cash Credit	--	--	--	7.50	IVR BBB-/ Stable
Cash Credit	--	--	--	10.00	IVR BBB-/ Stable
Bank Guarantee	--	--	--	14.00	IVR A3



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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-essess-feb24.pdf>

**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/>.

