

Press Release

Fabrimax Engineering Pvt Ltd

July 19, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Fund Based – Cash Credit	9.25	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)
2.	Short Term Non Fund Based – Letter of Credit	5.00	IVR A3 (IVR A Three)
3.	Short Term Non Fund Based – Bank Guarantee	8.00	IVR A3 (IVR A Three)
	Total	22.25	

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid rating derives comfort from the entity’s experienced promoters, moderate profitability and debt protection metrics and its strong relationship with clients. However, the rating is constrained by the entity’s moderate scale of operations and low debtor turnover ratio, customer and supplier concentration risk and established players diversifying into the sector. Timely completion of contracts within the envisaged costs, growth in scale of operations and gearing are the key rating sensitivities.

For the purpose of analysis, we have taken a consolidated approach by combining the financials of Fabrimax Engineering Pvt Ltd (FEPL) and S.S. Fabricators and Manufacturers (SSFm).

Detailed Description of the Key Rating Drivers

Key Rating Strengths

- **Experienced Promoters**

Fabrimax Engineering Private Limited (FEPL) was established in the year 2005. Mr. Pawan Chokhani is the main promoter. FEPL is engaged in the fabrication of heavy machinery equipment for private companies. 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.

- **Moderate profitability and debt protection metrics**

The group's reported PAT margin of 7.55% for FY19 (provisional) as compared to 7.20% for FY18, indicate moderate profitability. The Overall Gearing Ratio as on March 31, 2019(provisional) stood at 1.32x as compared to 0.82x as on 31st March, 2018. The interest coverage improved marginally from 2.71x for FY18 to 2.73x FY19 (provisional).

- **Strong relationship with clients**

Fabrimax Engg have an esteemed list of clientele across the Thermal Power Plant, Irrigation and, Oil and Gas Refinery sectors inclusive of Larsen & Toubro - Vadodara, Bharat Heavy Electricals Limited – Trichy, Aarti Infra Projects Pvt Ltd, Enercon India Ltd. SSFM can do its bidding on government contracts of all sizes as it is registered as Class 1A in the Vidarbha Irrigation Development Corporation.

Key Weaknesses

- **Moderate scale of operations and lower debtor turnover**

The group's topline, though increased from Rs.83.40 crore in FY18 to Rs.112.92 crore in FY19 on the back of steady increase in manufacturing orders, remained moderate in scale. The financials of the group have shown an increase in debtors over the years.

- **Customer and Supplier concentration risk**

Its top five suppliers constitute almost 89% of its entire raw material purchases during FY18-19, indicating concentration risk for the group. The group's top five customers constitute around 86% of the total revenues in the manufacturing division; over-reliance on the same customers exposes the group concentration risk.

- **Established players diversifying into the sector:**

The ability of FEPL to stay relevant in sub-sectors, their client relationships and the quality of their products will determine its bottom-line profits. The high-tech segment of the sector is mainly dominated by multi-nationals and the low cost segment is dominated by local vendors. If FEPL wants to maintain an edge over its

rivals it should concentrate its efforts into R&D and providing a differentiated product vis-à-vis its rivals along with offering specialised services for it.

With L&T diversifying into power equipment manufacturing and Thermax entering the power utility segment, Fabrimax Engg will face tough competition trying to expand its reach both inside and outside the country. However, SSFM has earned the right to take its pick from all orders in terms of sizes as it is registered as a Class 1A contractor under the Vidarbha Irrigation Development Corporation.

Analytical Approach & Applicable Criteria

Consolidated approach

Rating methodology for Manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity

The current ratio and quick ratio of the company remained satisfactory at 1.99x and 1.47x respectively as on March 31, 2019 (Provisional). However, the average fund based limit utilization of the company remained high at around 92% in the past 12 months' period ended on April, 2019 indicating a limited cushion, a high Debt Service Coverage Ratio indicates that the firm is generating enough profits to cover its debt obligations and still has liquidity post payments. The liquidity position of the company is expected to remain moderate in near to medium term.

About the Company

Fabrimax Engg Pvt Ltd (FEPL) was formed in 2005 and executes fabrication contracts from private players. The key promoter, Mr. Pawan Chokhani has over three decades of rich experience in the industry, and is responsible for the overall operations of the company. FEPL is mainly engaged in in the fabrication of heavy metal components like wind mill tower, boiler components, electric submersible pump (ESP) supporting components, vertical lift gate & stop log gate, machinery & equipment's amongst others. The main focus of FEPL is the manufacture of and supply of primary and secondary steel structures for Thermal Power Plants, Irrigation Projects, Oil Refineries and Wind Mill Towers. Their major source of revenues is from providing sub-contracting services such as fabrication and erection of dam gates and providing other ancillary services for irrigation projects in Maharashtra. 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.

Financials:

(Rs. crore)

For the year ended/ As On	31-03-2017	31-03-2018	31-03-2019
	(Consolidated)	(Consolidated)	(Provisional)
Total Operating Income	61.88	83.40	112.92
EBITDA	8.68	13.95	17.68
PAT	3.82	6.13	8.66
Total Debt	31.21	26.60	49.48
Tangible Networth	29.60	32.51	37.56
Ratios			
EBITDA Margin (%)	14.03	16.73	15.66
PAT Margin (%)	6.01	7.20	7.55
Overall Gearing Ratio (x)	1.05	0.82	1.32

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based – Cash Credit	Long Term	9.25	IVR BBB-/ Stable Outlook	--	--	--
2.	Short Term Non Fund Based – Letter of Credit	Short Term	5.00	IVR A3	--	--	--
3.	Short Term Non Fund Based – Bank Guarantee	Short Term	8.00	IVR A3	--	--	--

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 (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based – Cash Credit	--	--	--	9.25	IVR BBB-/Stable Outlook
Short Term Non Fund Based – Letter of Credit	--	--	Up to 90 days	5.00	IVR A3
Short Term Non Fund Based – Bank Guarantee	--	--	Up to 1 year	8.00	IVR A3