

Press Release

S. S. Fabricators and Manufacturers

July 19, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Fund Based – Cash Credit	10.00	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 Guarantees	15.00	IVR A3 (IVR A Three)
	Total	30.00	

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid rating derives comfort from the entity’s experienced promoters, group’s moderate profitability and debt protection metrics and its strong relationship with clients. However, the rating is constrained by the group’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**

S S Fabricators and Manufacturers (SSFm) is a partnership firm and was established in the year 1983, while Fabrimax Engineering Private Limited was established in the year 2005. Mr. Pawan Chokhani is the main promoter of both the entities. SSFM is engaged in fabrication and installation of gates at dams and barrages, laying pipelines and machine fabrication jobs. Mr Pawan Chokhani has nearly three decades of rich experience in the industry, and is responsible for the overall operations of the firm.

The promoters' extensive industry experience has enabled the firm 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 deteriorated from 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**

SSFM does its bidding on government contracts of all sizes as it is registered as Class 1A in the Vidarbha Irrigation Development Corporation, hence primarily concentrating on government contracts. FEPL has a strong relationship with their 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.

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 mainly due to a steady increase in manufacturing orders, remained moderate in scale. The financials of the group have shown an increase in debtors over the years. This may force the management to delve into the group's free cash or force the promoters to infuse capital in case of expansion plans.

- **Customer and Supplier concentration risk**

The group's 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 customer constitutes around 86% of the total revenues in the manufacturing division; over-reliance on the same customer's 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, FEPL 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 group remained satisfactory at 1.99x and 1.47x respectively as on March 31, 2019 (Provisional). However, the average fund based limit utilization of the group 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 group is generating enough profits to cover its debt obligations and still has liquidity post payments. The liquidity position of the group is expected to remain moderate in near to medium term.

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, whereas FEPL 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. The promoters' extensive industry experience has enabled the company to grow and sustain its operations through different business cycles. They are primarily 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 www.infomerics.com

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. 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.

Financials:

(Rs. crore)

For the year ended/ As On	31-03-2018	31-03-2019
	(Consolidated)	(Provisional)
Total Operating Income	83.40	112.92
EBITDA	13.95	17.68
PAT	6.13	8.66
Total Debt	26.60	49.48
Tangible Networth	32.51	37.56
<u>Ratios</u>		
EBITDA Margin (%)	16.73	15.66
PAT Margin (%)	7.20	7.55
Overall Gearing Ratio (x)	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	10.00	IVR BBB-/ Stable Outlook	--	--	--
2.	Short Term Non Fund Based– Bank Guarantee	Short Term	15.00	IVR A3	--	--	--
3.	Short Term Non Fund Based – Bank Guarantee	Short Term	5.00	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	--	--	--	10.00	IVR BBB-/Stable Outlook
Short Term Non Fund Based – Bank Guarantee	--	--	Up to 1 year	15.00	IVR A3
Short Term Non Fund Based – Letter of Credit	--	--	Up to 1 year	5.00	IVR A3