

Press Release

S.S.B. ENGINEERS PRIVATE LIMITED

October 28, 2017

Rating Upgraded



Total Bank Facilities Rated*	Rs. 15.89 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 15.89 crore bank facilities of S. S. B. ENGINEERS PRIVATE LIMITED. The outlook is '**Stable**'.

SSB Engineers Private Limited is a Rajasthan based company, incorporated in the year 1995 by Mr. Deven Bhatia and Mr. Ram Bhatia. The company is engaged in manufacturing of various forged, rolled, machined parts and other auto components such as bearing cup, bearing con, bars, rings etc. The total installed capacity stands at 16000 tons per annum of which the company utilises around 85 per cent.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors, Mr. Deven Bhatia and Mr. Ram Bhatia have around two decades of experience in auto industry.

- **Moderate scale of operations**

SSBEPL has moderate scale of operations with operating income of Rs.37.31 crore in FY2017 as against Rs.33.72 crore in FY2016. During the current year, SSBEPL booked revenue of Rs 12.12 crore till June 2017. Operating (EBITDA) margins have improved to 13.58 per cent in FY2017 as compared 9.59 per cent in FY2016. The increase in operating income and operating margins is attributed to completed capex wherein the company has improved efficiency of its products thus improving margins and increase in sales realisations. SMERA believes that the company will register healthy revenue growth on back of addition of new customers and increased business from existing customers.

- **Moderate financial riskprofile**

SSBEPL has a moderate financial risk profile marked by tangible networth of Rs. 7.00 crore as on 31 March, 2017(Provisional) as against Rs. 6.33 crore as on 31 March, 2016. The gearing (debt-to-equity ratio) has deteriorated to 1.81 times as on 31 March, 2017(Provisional) as against 1.74 times as on 31 March, 2016. The total debt of Rs. 12.43 crore includes long term loans of Rs. 6.58 crore and short term working capital borrowings of Rs. 5.85 crore as on 31 March, 2017(Provisional). The Interest coverage ratio (ICR) stood at 2.58 times for FY2017 as against 2.44 times for FY2016. The net cash accruals to total debt (NCA to TD) stood at 0.24 times in FY2017 as against 0.18 times in FY2016. SMERA believes that the financial risk profile will remain moderate on the back of regular capex and steady profitability.

- **Established relations with reputed clients**

SSBEPL has established relations of more than 10 years with reputed clients i.e. Tier 1 suppliers and OEMs in auto sector located in Jamshedpur, Jaipur, U.P, Maharashtra and Haryana among others. Major client includes Timken India Limited, Graziano Transmission India Private Limited, and National Engineering Industries Limited among others. In FY2018, company added new customers i.e. Ashok Leyland and Carraro Group.

Weaknesses

• Working capital intensive operations:

SSBEPL has working capital intensive operations with Gross current assets (GCA) of 133 days in FY2017 as against 135 days in FY2016. This is mainly on account of high inventory of 74 days (PY:96 days) and debtors of 67 days (PY:46 days) in FY2017. Further, the cash credit limit is fully utilised for the last six months ended 31 July, 2017.

• Exposure to volatility in raw material prices:-

The total cost of raw material contributes 61 percent of total cost of sales. Raw material and semi-finished products includes steel bar and iron components which are procured domestically. The price volatility of metals, combined with the limited ability of the company to pass on the changes in price movement to end customers, leads to susceptibility of margins to fluctuations in raw material prices.

• Competitive and fragmented industry:-

SSB operates in a highly fragmented and unorganized market for manufacturing of bearing component industry with presence of large number of players in the unorganized sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SSBEPL.

Outlook: Stable

SMERA believes that SSBEPL will maintain a stable outlook over the medium term on account of its established operations and experienced management. The outlook may be revised to 'Positive' in case of significant growth in revenue and improvement in profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2015-16, SSBEPL reported Profit after Tax (PAT) of Rs.0.38 crore on operating income of Rs. 37.31 crore compared to PAT of Rs. 0.11 crore on operating income of Rs.33.72 crore in FY2014-15. The net worth stood at Rs. 7.00 crore as on 31 March, 2017 against Rs.6.33 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Jul-2017	Cash Credit	Long Term	INR 6	SMERA BB-

22-Apr-2016	Term Loan	Long Term	INR 6.32	SMERA BB-
	Proposed Working Capital Demand Loan	Long Term	INR 3.49	SMERA BB-
	Cash Credit	Long Term	INR 6	SMERA BB- / Stable
	Term Loan	Long Term	INR 6.32	SMERA BB- / Stable
	Proposed Working Capital Demand Loan	Long Term	INR 3.49	SMERA BB- / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50 *	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	8.39	SMERA BB / Stable

*SSBEPL's account in Punjab national bank is taken over by Kotak Mahindra bank

*The L.C of Rs. 1.00 crore is the sub limit of Cash credit limit.

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ABOUT SMERA

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