

Press Release

S.S.B. Engineers Private Limited

July 03, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.20.41 Cr.
Long Term Rating	ACUITE BB/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.14.91 crore bank facilities of S S B Engineers Private Limited (SEPL). The outlook is '**Stable**'.

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.5.50 crore bank facilities of S S B Engineers Private Limited (SEPL). The outlook is '**Stable**'.

Incorporated in 1995, S S B Engineers Private Limited (SEPL) is a Rajasthan based company led by its Directors, Mr. Deven Bhatia and Mr. Ram Bhatia. The company is engaged in manufacture of various forged, rolled, machined parts and other auto components such as bearing cup, bearing con, bars, rings. The total installed capacity stands at 16000 tons per annum of which the company utilises around 85 percent. It has reputed clientele which includes Timken India Limited, Carraro group, Ashok Leyland and Graziano Transmission India Private Limited to name a few.

Key Rating Drivers

Strengths

Experienced management

SEPL was incorporated in 1995 and is led by the Directors who have extensive experience of around two decades in the auto industry. The extensive experience of the Directors has led to established market presence of SEPL enabling it to build strong business ties with its suppliers and customers.

• Moderate scale of operations

SEPL has reported operating income of Rs.49.26 crore for FY2018 (Provisional) which has grown from Rs.37.31 crore in FY2017 and Rs.33.72 crore in FY2016. This is mainly because of the increase in production. However, the operating margins have declined to 11.26 percent in FY2018 (Provisional) as against 13.58 percent in FY2017. This is mainly due to increase in manufacturing cost. Profit after Tax (PAT) margin increased to 1.41 percent in FY2018 (Provisional) from 1.03 percent in FY2017.

• Moderate financial risk profile

The company has moderate financial risk profile marked by moderate net worth of Rs.9.48 crore as on 31 March, 2018 (Provisional) as compared to Rs.7.00 crore as on 31 March, 2017. The gearing (debt to equity) stood at 1.64 times as on 31 March, 2018 (Provisional) as against 1.78 times as on 31 March, 2017. The total debt of Rs.15.50 crore as on 31 March, 2018 (Provisional) comprises Rs.7.33 crore of term loans and working capital borrowing of Rs.8.17 crore. SEPL's coverage indicators stood moderate with Interest Coverage Ratio (ICR) of 2.55 times for FY2018 (Provisional) as compared to 2.58 times for FY2017. Total Other Liability/Total Net Worth (TOL/TNW) stood at 2.20 times as on 31 March, 2018 (Provisional) as compared to 2.82 times as on 31 March, 2017.

- **Healthy relations with customers**

SEPL has reputed clientele contributing to ~53 percent of total revenues. Major client includes Timken India Limited, Graziano Transmission India Private Limited, National Engineering Industries Limited, Ashok Leyland and Carraro Group.

Weaknesses

- **Working capital intensive operations**

SEPL's operations are working capital intensive marked by Gross Current Assets (GCA) of 111 days in FY2018 (Provisional) as compared to 133 days in FY2017. The debtor and inventory stood at 62 days and 58 days in FY2018 (Provisional) as compared to 67 days and 74 days in the preceding year. Further, creditor stood at 51 days in 2018 (Provisional) as against 96 days in FY2017. The average bank limit utilisation was 80 – 85 percent in the past six months ended May2018.

- **Exposure to volatility in raw material price**

The main 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**

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

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SEPL to arrive at this rating.

Outlook: Stable

Acuite believes that SEPL will maintain a 'Stable' business risk profile in the medium term on the back of established operations and long standing experience of the promoter in the business. The outlook may be revised to 'Positive' in case of significant improvement in operation and net worth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	49.26	37.31	33.72
EBITDA	Rs. Cr.	5.54	5.06	3.23
PAT	Rs. Cr.	0.69	0.38	0.11
EBITDA Margin	(%)	11.26	13.58	9.59
PAT Margin	(%)	1.41	1.03	0.33
ROCE	(%)	14.24	13.76	9.45
Total Debt/Tangible Net Worth	Times	1.64	1.78	1.71
PBDIT/Interest	Times	2.55	2.58	2.44
Total Debt/PBDIT	Times	2.76	2.42	3.20
Gross Current Assets (Days)	Days	111	133	136

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Oct-2017	Cash Credit	Long Term	7.50	ACUITE BB/ Stable (Upgraded)
	Term Loan	Long Term	8.39	ACUITE BB/ Stable (Upgraded)
18-Jul-2017	Cash Credit	Long Term	6.00	ACUITE BB- Issuer not co-operating*
	Term Loan	Long Term	6.32	ACUITE BB- Issuer not co-operating*
	Proposed Working Capital Demand Loan	Long Term	3.49	ACUITE BB- Issuer not co-operating*
22-Apr-2016	Cash Credit	Long Term	6.00	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	6.32	ACUITE BB-/Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	3.49	ACUITE BB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50*	ACUITE BB / Stable (Reaffirmed)
Term Loan – 1	Not Applicable	Not Applicable	Not Applicable	7.41	ACUITE BB / Stable (Reaffirmed)
Term Loan – 2	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BB / Stable (Assigned)

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

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About Acuité Ratings & Research:

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