Press Release

Fabricon

August 07, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' **(read as SMERA B plus)** on the Rs. 5.00 crore bank facilities of Fabricon. The outlook is **'Stable'**.

Fabricon is a partnership firm engaged in the manufacturing and installation of retail panels, generator canopy and switch gear boxes. The business was established in 1978 as a proprietorship concern by Mr. Sanjit Kumar Ghosh and converted to a partnership firm in 2002. Currently, the business is led by Mr. Sanjit Kumar Ghosh, Mrs Bhati Gosh and Mr. Sudipto Ghosh. The manufacturing facility is located at Kolkata, WestBengal.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**
  The firm is led by Mr. Sanjit Kumar Ghosh with experience of almost two decades in the electronic accessories industry.

- **Average financial riskprofile**
  The average financial risk profile is marked by moderate net worth of Rs 3.24 crore in FY2017 (Provisional), an increase from Rs.2.45 crore in FY2016, mainly due to retention of current year profit, moderate debt- equity ratio of 1.31 times in FY2017 (Provisional). The same declined from 1.56 times in FY2016, mainly on account of repayment of term loan, comfortable interest coverage ratio of 5.84 times and debt service coverage ratio of 5.79 times in FY2017 (Provisional). The net cash accruals against total debt stood comfortable at 0.44 times in FY 2017 (Provisional).

Weaknesses

- **Working capital intensiveoperations**
  The working capital intensive operations are marked by high gross current asset (GCA) days of 111 in FY2016, an increased from 98 days in FY2015, mainly on account of increase in debtor days to 65 in FY2016 as against 35 in FY2015. The debtor days increased mainly due to delayed payments from clients.

- **Moderate scale ofoperations**
  Despite the business being operational from 1978, the scale stood at a moderate Rs.11.47 crore in FY2017 (Provisional) as compared to Rs.12.28 crore in FY2016.

Analytical Approach

SMERA has considered standalone business and financial risk profile of Fabricon.

Outlook: Stable

SMERA believes that Fabricon will maintain a stable outlook in the medium term on account of its experienced management and average financial risk profile. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and profitability while improving working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower- than-expected growth in revenues and profitability, or deterioration in its financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), Fabricon reported profit after tax (PAT) of Rs 1.26 crore on total operating income of Rs.19.72 crore, compared with PAT of Rs.0.68 crore on total operating income of Rs.12.28 crore in FY2015-16. The tangible net worth of the company stood at a moderate Rs.3.24 crore in FY2017 (Provisional).

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

NA

Any other information

NA

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)

Not Applicable

*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	5.00	SMERA B+ / Stable

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ABOUT SMERA

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