

Press Release

SS Automation Solutions Private Limited

02 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.00 Crore
Long Term Rating	SMERA BB/ Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of '**SMERA BB**' (**read as SMERA double B**) and the short term rating of '**SMERA A4+**' (**read as A four plus**) to the above mentioned bank facilities of SS Automation Solutions Private Limited. The outlook is '**Stable**'.

Incorporated in 2005, SS Automation Solutions Private Limited (SSASPL) is a Bangalore-based company. They are engaged in implementing automation solutions for manufacturing industries across domains including automotive original equipment, auto component, pharma sector, FMCG, infrastructure among other. They cater to companies like Tata Motors Limited, Shimizu Corporation, Daimler India Commercial Vehicles Private Limited among others.

Hi-Mak Private Limited is a Vadodara based company, engaged in providing value-added industrial automation solutions to industries like petrochemical, automobile, pharmaceuticals, etc. The solutions offered include manufacturing of control and power panels, trading of PLCs, system integration, programming, etc. since 1994.

Analytical Approach:

SMERA has consolidated the business and financial risk profiles of SS Automation Solutions with its group company Hi-Mak Private Limited while arriving at the ratings. This is on account of the common management, same line of business and significant operational linkages.

Key Rating Drivers

Strengths

• Experienced management

SSASPL was founded by Mr. Suresh M S, who has an extensive experience of more than two decades in the industry. He is an IIM graduate and manages the sales, marketing, development and other technical functions of the company.

Hi-Mak Private Limited, incorporated in 1994 by Mr. Keyur Vyas. Currently, the company is being managed by his wife and promoter, Mrs. Vyas, who has 20 years of overall business experience.

• Long track record of operations and reputed clientele

SSASPL and HPL have been in the said line of business for 13 years and 25 years, respectively. The long track record of operations has helped to establish healthy relationships with customers which would continue to help bag repeat orders.

- **Comfortable financial risk profile:**

The financial risk profile of the company is marked by modest net worth, comfortable gearing and healthy debt protection measures. In FY2017, the net worth levels of the company had increased to Rs.8.69 crore from Rs.5.97 crore in the previous year, primarily on account of infusing unsecured loans from promoters. SMERA has treated the unsecured loan of Rs.1.86 crore as quasi equity based on an undertaking that the same would be maintained in the business over the medium term.

The gearing levels (debt to equity ratio) of the company stood at 1.07 times as on 31 March, 2017 as against 1.24 times as on 31 March, 2016. The total debt of Rs.9.30 crore consists of short term loan of Rs.9.10 crore and Rs 0.20 crore of term loan as on 31 March, 2017. The interest coverage ratio (ICR) stood at 4.91 times and debt service coverage ratio (DSCR) at 2.57 times as on 31 March, 2017 as compared to ICR at 3.25 times and DSCR at 2.22 times on 31 March, 2016.

Weakness

- **Modest scale of operations**

The scale of operations of the company is at moderate level with revenues of around Rs.38.34 crore in FY2017 as against Rs.30.63 crore in FY2016. In the current financial year, company has achieved revenue of Rs.25 crore till 31 January, 2018 (provisional).

- **Working capital intensive nature of operations**

The company has working capital intensive nature of operations with Gross Current Assets (GCA) of 215 days in FY2017 as against 181 days in FY2016. The inventory days stood at 80 in FY2017 as against 99 in FY2016 while debtor days stood at 94 in FY2017 as compared to 54 in FY2016.

Outlook- Stable

SMERA believes that SSASPL will remain 'Stable' on account of its long track record of operations and reputed clientele. The outlook may be revised to 'Positive' in case the entity receives higher than expected revenues. The outlook may be revised to 'Negative' in case of significant decline in firm's revenue or higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	38.34	30.63	21.81
EBITDA	Rs. Cr.	4.76	3.05	1.87
PAT	Rs. Cr.	1.37	1.00	1.35
EBITDA Margin	(%)	12.42	9.97	8.56
PAT Margin	(%)	3.57	3.25	6.20
ROCE	(%)	27.89	22.72	28.81
Total Debt/Tangible Net Worth	Times	1.07	1.24	1.68
PBDIT/Interest	Times	4.91	3.25	2.14
Total Debt/PBDIT	Times	1.92	2.36	3.95
Gross Current Assets (Days)	Days	215	181	254

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

None

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.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. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	2.00	SMERA BB/ Stable (Assigned)
Bank Guarantee	NA	NA	NA	1.00	SMERA A4+ (Assigned)
Proposed Cash Credit	NA	NA	NA	1.00	SMERA BB/ Stable (Assigned)
Proposed Bank Guarantee	NA	NA	NA	3.00	SMERA A4+ (Assigned)

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ABOUT SMERA

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