

## Press Release

Friends Fab Form Private Limited

July 29, 2019

### Rating Withdrawn



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- (Withdrawn)
<b>Short Term Rating</b>	ACUITE A4+ (Withdrawn)

\* Refer Annexure for details

### Rating Rationale

Acuite has withdrawn a long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the bank facilities of Friends Fab Form Private Limited (FFPL).

The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance of Acuite's policy on withdrawal.

Friends Fab Form Private Limited (FFPL), based at Thane (Maharashtra), was incorporated in 1989. The company is led by Mr. Nishith R. Shah and Mr. Jayesh Shah. FFPL is engaged in designing and manufacture of critical chemical process equipment such as columns, heat exchangers, boilers and Class I Pressure vessels among others. The company caters to several industries including petroleum and fertilisers to name a few.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced management and established track record**

FFPL was incorporated in 1989 by Mr. Nishith R. Shah and Mr. Jayesh Shah. It has established market presence over the years in domestic as well as International market such as Egypt, Canada, Houston (USA) and Saudi Arabia. The promoters have more than three decades of experience in the same line of business and their network has helped to establish longstanding relationships with their customers and suppliers

- **Improved revenue and margins**

The operating revenue of the company has improved from Rs. 15.05 crore in FY2018 to Rs. 27.55 crore in FY2019 (Provisional) which grew by 83.08 percent from the previous year. The operating margin and PAT Margin has also improved to 14.03 percent and 8.13 percent in FY2019 (Provisional) from 10.60 percent and 5.22 percent in FY2018.

- **Reputed customer base**

FFPL caters to reputed customers such as Reliance Industries Ltd., Kirloskar Pneumatic Co. Ltd. and Deepak Fertilisers among others

#### Weaknesses

- **Moderate financial risk profile**

FFPL's financial risk profile is moderate with net worth of Rs. 4.97 crore as on 31 March, 2019 (Provisional) as against Rs. 2.81 crore as on 31 March, 2018. The gearing (debt-equity) stood comfortable at 0.37 times as on 31 March, 2019 (Provisional) as against 0.39 times as on 31 March, 2018. The company does not have any principal obligations to the bank as it does not have any long

term debt. Interest Coverage Ratio (ICR) stood healthy at 7.65 times in FY2019 (Provisional) as compared to 3.12 times in FY2018. Debt Service Coverage Ratio (DSCR) stood at 5.86 times in FY2019 (Provisional) as compared to 2.72 times in FY2018.

• **Susceptibility of profit margins**

The profitability is susceptible to volatility in raw material prices of metal and steel products. Further, the company operates in a highly fragmented and competitive industry which consists of a large number of organised and unorganised players.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	27.55	15.05	10.30
EBITDA	Rs. Cr.	3.87	1.60	0.53
PAT	Rs. Cr.	2.24	0.79	0.11
EBITDA Margin	(%)	14.03	10.60	5.17
PAT Margin	(%)	8.13	5.22	1.07
ROCE	(%)	68.84	38.45	10.98
Total Debt/Tangible Net Worth	Times	0.37	0.39	0.97
PBDIT/Interest	Times	7.65	3.12	1.96
Total Debt/PBDIT	Times	0.48	0.68	3.74
Gross Current Assets (Days)	Days	97	216	349

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

Not applicable

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Cr.)	Ratings/Outlook
29-Jun-2018	Letter of Credit	Short Term	4.00	ACUITE A4+ (Reaffirmed)
	Proposed Letter of Credit	Short Term	0.10	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.90	ACUITE A4+ (Reaffirmed)
30-Mar-2017	Cash Credit	Long Term	2.00	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	2.90	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Assigned)

	Proposed Letter of Credit	Short Term	0.10	ACUITE A4+ (Assigned)
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**\*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	2.00	ACUITE BB-/Stable (Withdrawn)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Withdrawn)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.90	ACUITE A4+ (Withdrawn)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Withdrawn)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A4+ (Withdrawn)

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**About Acuité Ratings & Research:**

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