



## Press Release

### Fabrimax Engineering Pvt Ltd (FEPL)

October 07, 2020

#### Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Facility – Fund Based – Cash Credit	10.00 (enhanced from INR9.25 crore)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)
2.	Short Term Non Fund Based Facility – Bank Guarantee	8.00	IVR A3 (IVR A Three)
3.	Short Term Non Fund Based Facility – Letter of Credit	6.00 (enhanced from INR5.00 crore)	IVR A3 (IVR A Three)
	<b>Total</b>	<b>24.00</b>	

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The aforesaid rating assigned to the bank facilities of the entity derives comfort from their extensive experience of promoters, healthy order book and established relationship with customers ensuring repeat orders and a comfortable capital structure with high coverage indicators. However, customer and supplier concentration risk, raw material price fluctuation risk, project execution risk are the rating constraints.

#### **Key Rating Sensitivities**

##### **Upward factors:**

- Substantial & sustained improvement in revenue backed by order book growth while maintaining the profitability & debt protection metrics.

##### **Downward factors:**

- Any decline in revenue & profitability leading to deterioration in debt protection metrics.
- Slowdown in order book addition and execution



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### ***Key Rating Drivers with detailed description***

#### **Experienced Promoters**

Mr. Pawan Kumar Omprakash Chokhani is the main promoter of the group. Mr Pawan Chokhani has nearly three decades of rich experience in the industry, and is responsible for the overall operations of the company. The promoters' extensive industry experience has enabled the company to sustain and grow its operations. The promoters opened the flagship company, SSFM which was established in 1983 is a registered Class 1A contractor with Vidarbha Irrigation Development Corporation which enables the firm to bid on any project of their choice on EPC contract basis. In 2005, the promoters established FEPL to diversify the business into providing heavy machinery to private companies. The extensive experience of the promoters in the industry along with their ability to bid and execute tenders and their established relationship with clients has continued to support to business risk profile of the group.

#### **Healthy order book and established relationship with customers ensuring repeat orders**

The group's revenue has registered a compounded annual growth rate of ~34% during FY17-FY20 (provisional) owing to better rates & higher execution. The group has demonstrated strong execution capability in the past two years by successfully completing orders of government entities, G E Power India Ltd and Mitsubishi Hitachi Power System India Pvt Ltd to name a few, which has seen the top-line of the company increase during FY19 to FY20 (P), supported by an increase in EBITDA from INR18.63 crore in FY19 to INR26.73 crore in FY20 (P). The group has an order book having unexecuted orders amounting to INR361.75 crore, majority of which the company is expecting to realise within FY21. The group has had long standing relationship with their clients which has enabled them to obtain repeat order in larger numbers.

#### **Comfortable Capital Structure with high coverage indicators**

The group's debt profile mainly comprises of short term borrowings (working capital borrowings); off the total debt amounting to INR35.76 crore in FY20 (P) – INR26.04 core amounts to short term borrowings and INR9.72 crore pertains largely towards long term loans taken for the purpose of purchase of machinery. The capital structure, as indicated by Total outside Liabilities / Tangible Net Worth (TNW), stands at a healthy level of 1.43



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times and the overall gearing ratio stands at 0.41x in FY20 (P). The interest coverage ratio remains strong at 3.16x in FY20 (P); the ratio has declined marginally due to an increase in long term bank borrowings and a minor increase in working capital utilisation.

### **Key Rating Weaknesses**

#### **Customer and Supplier concentration risk**

The group's top six suppliers constitute almost 80% entire raw purchases during FY20, indicating concentration risk for the group. The group's 5 top customer constitutes around 93.07% of the total revenues in the manufacturing division; over-reliance on the same customer's exposes the group to uneven profits and sales as the inflows of the group would depend on their client's performance, strategies and their overall business plans for their product.

#### **Raw material price fluctuation risk**

The price of steel has seen a lot of volatility over the last three years. The costs of raw materials and finished goods are volatile in nature and hence, profitability of the company is susceptible to fluctuation in the prices of its raw material prices and/or its finished goods. However, company places the major raw material orders at the time of receiving the order itself, which mitigate the price fluctuation risk to some extent. The group has a high amount of receivables and inventory due to the nature of the industry they operate in which has contributed to an increase in the operating cycle. FEPL caters to private companies, are exposed to fluctuations in key raw materials such as steel which in turn has an impact on their profitability as well.

#### **Project execution risk**

The ability of the group to execute orders in a timely fashion as stipulated in their contract with their customers remains of paramount importance as any delays in execution of contracts can lead to the company having to pay liquidated damages to the opposite party thereby impacting the profitability.



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### **Analytical Approach: Consolidated**

Infomerics has considered the consolidated financial profiles of S.S. Fabricators and Manufacturers, Fabrimax Engineering Pvt Ltd and Fabtech Engineering Pvt Ltd (herein referred to as 'group') to arrive at the rating. The consolidation is on account of common management and significant operational and financial linkages.

### **Applicable Criteria**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity - Adequate**

The liquidity of the group is adequate as reflected in their comfortable current ratio of 1.67x and quick ratio 1.09x in FY20 (P). The group has GCA of INR13.85 crore and cash and cash balances amounting to INR12.00 crore in FY20 (P), which are adequate to cover any short term debt obligations.

### **About the company**

Fabrimax Engineering Private Limited (FEPL) is engaged in fabrication of heavy machinery equipment for private companies. FEPL was incorporated on August 9, 2005 with Mr. Pawan Chokhani and Mrs. Benu Pawan Chokhani as Directors. FEPL is mainly engaged in the fabrication of heavy metal components like wind mill tower, boiler components, electrostatics precipitator (ESP) support components, vertical lift gate & stop log gate, machinery & equipment's amongst others. The main focus of FEPL is the manufacture of and supply of primary and secondary steel structures for Thermal Power Plants, Irrigation Projects, Oil Refineries and Wind Mill Towers, their major source of revenues are from providing sub-contracting services such as fabrication and erection of dam gates and providing other ancillary services for irrigation projects in Maharashtra. FEPL is a certified ISO 9001:2015 company – which certifies that the company produces quality material which confirms to the norms of the International Standards Organisation. They are also qualified by EN 1090-1:2009 standards that regulate the fabrication of



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steel and aluminium structures recognised by the Construction Product Regulation of the European Council.

### Financials (Standalone)\*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Provisional)
Total Operating Income	43.25	42.01	45.86
EBITDA	6.15	6.15	5.12
PAT	2.56	2.70	2.35
Total Debt	7.84	10.04	10.69
Tangible Net-worth	17.09	19.74	22.09
<b>Ratios</b>			
EBITDA Margin (%)	14.22	14.63	11.16
PAT Margin (%)	5.84	6.34	5.09
Overall Gearing Ratio (x)	0.37	0.42	0.40

\* Classification as per Infomerics' standards

### Financials (Consolidated)\*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Provisional)
Total Operating Income	83.40	109.76	150.15
EBITDA	13.95	18.63	26.73
PAT	6.08	8.17	8.38
Total Debt	29.62	47.80	35.76
Tangible Net-worth	32.51	37.16	51.66
<b>Ratios</b>			
EBITDA Margin (%)	16.73	16.97	17.80
PAT Margin (%)	7.14	7.35	5.55
Overall Gearing Ratio (x)	0.73	0.87	0.41

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** CARE Ratings in their press Release dated on June 19, 2020 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information

**Any other information: None**



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### Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (PR dated July 19, 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility – Fund Based – Cash Credit	Long Term	10.00	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable Outlook	--	--
2.	Short Term Non Fund Based Facility – Bank Guarantee	Short Term	8.00	IVR A3	IVR A3	--	--
3.	Short Term Non Fund Based Facility – Letter of Credit	Short Term	6.00	IVR A3	IVR A3	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Facility – Fund Based – Cash Credit	NA	NA	Revolving	10.00	IVR BBB-/ Stable Outlook
Short Term Non Fund Based Facility – Bank Guarantee	NA	NA	Less than 1 year	8.00	IVR A3
Short Term Non Fund Based Facility – Letter of Credit	NA	NA	Less than 1 year	6.00	IVR A3