

**January 09, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	0.60	SMERA B+ /Stable (Assigned)
Packing Credit	3.80	SMERA A4 (Assigned)
FDBP	0.50	SMERA A4 (Assigned)
Proposed Cash Credit	0.40	SMERA B+ /Stable (Assigned)
Proposed Packing Credit	0.95	SMERA A4 (Assigned)
Proposed FDBP	0.75	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of S S B Metal Works (SSBMW). The outlook is '**Stable**'. The ratings are constrained by the firm's low net profit margins amidst intense competition in the stationery industry. The ratings are also constrained by the firm's working capital-intensive operations and stretched liquidity position. However, the ratings are supported by the firm's established operations and experienced management. The ratings also draw comfort from the healthy growth in revenues registered by the firm.

SSBMW, established in 1994, is a Mumbai-based partnership firm engaged in manufacturing and export of stationery products. SSBMW exports ~90 per cent of its production to Turkey, Russia, Netherland, Thailand, Egypt and Germany. The firm's net profit margin is low at 0.61 per cent in FY2013-14 (refers to financial year, April 01 to March 31). Moreover, SSBMW's net profit of Rs.0.17 crore (in FY2013-14) is largely supported by forex gain of Rs.0.53 crore and non-operating income of Rs.0.21 crore. The firm operates in a highly competitive and fragmented segment of the stationery industry. SSBMW's operations are working capital-intensive, as evidenced by inventory holding period of 128 days in FY2013-14. The firm's stretched liquidity position is reflected in high utilisation of working capital.

SSBMW benefits from its experienced management. Mr. Bharat Lunia and Mr. Pravin Lunia, partners of SSBMW, have around 25 years of experience in the stationery industry. SSBMW also benefits from its established relations with customers. The firm's revenues have grown at a healthy compound annual growth rate (CAGR) of 40 per cent over the last four years. SSBMW's total operating income increased from Rs.19.71 crore in FY2012-13 to Rs.28.43 crore in FY2013-14.

### **Outlook: Stable**

SMERA believes SSBMW will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues with

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substantial improvement in profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the firm's liquidity position.

### About the firm

SSBMW was established in 1989 as a proprietorship firm by Mr. Bharat Lunia. The firm was later converted into a partnership firm in 1994. SSBMW undertakes manufacturing and export of stationery products such as metal ball point pens, plastic ball point pens, roller pens and geometric boxes. The firm sells its products under the brand name of 'RADIUS'. SSBMW exports ~90 per cent of its production to Turkey, Russia, Netherland, Thailand, Egypt and Germany.

For FY2013-14, SSBMW reported profit after tax (PAT) of Rs.0.17 crore on total operating income of Rs.28.43 crore, as compared with PAT of Rs.0.14 crore on total operating income of Rs.19.71 crore in FY2012-13. SSBMW's net worth stood at Rs.4.18 crore as on March 31, 2014, as compared with Rs.3.92 crore a year earlier.

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