

February 13, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	0.75 (enhanced from Rs. 0.60 crore)	SMERA B+/Stable (Reaffirmed)
Packing Credit	4.25 (enhanced from Rs. 3.80 crore)	SMERA A4 (Reaffirmed)
FDBP	1.25 (enhanced from Rs. 0.50 crore)	SMERA A4 (Reaffirmed)
Proposed Facility	0.75	SMERA B+/Stable/SMERA A4 (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA B+**' (**read as SMERA single B plus**) and '**SMERA A4**' (**read as SMERA A four**) to the Rs. 7.00 crore bank facilities of S S B Metal Works (SSBMW). The outlook is '**Stable**'. The ratings continue to be by the firm's low net profit margins amidst intense competition in the stationery industry. The ratings are also constrained by the firm's modest scale of business and working capital-intensive operations. However, the ratings are supported by the firm's established track record of operations and experienced management. The ratings also draw comfort from the comfortable liquidity position.

Update

In FY2014-15, the company reported profit after tax (PAT) of Rs. 0.10 crore on operating income of Rs. 28.00 crore, as compared to PAT of Rs. 0.17 crore on operating income of Rs. 28.43 crore in the previous year. The company's revenue has shown marginal decline because of muted demand from its customers. Further, the company has reported operating income of Rs. 23.89 crore for the nine months ended December, 2015 (provisional). In FY2014-15, the profit after tax of Rs. 0.10 crore is largely supported by forex gain and non-operating income. SSBMW's operations continue to be working capital-intensive, as evidenced by inventory holding period of 134 days in FY2014-15. However, the firm's has achieved comfortable liquidity position evident by average cash credit limit utilisation of around 80 percent during the six months ended December, 2015.

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Rating Sensitivity Factors

- Ability to scale up operations while maintaining adequate profitability
- Effective working capital management

Outlook: Stable

SMERA believes SSBMW will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue and profitability or deterioration in the firm's liquidity profile.

About the firm

SSBMW was established in 1989 as a proprietorship concern by Mr. Bharat Lunia. The firm was later converted into a partnership firm in 1994 with Mr. Bharat Lunia and Mr. Pravin Lunia as partners. SSBMW is engaged in 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 "RADIUS". SSBMW exports around 90 percent of its products to Turkey, Russia, Netherland, Thailand, Egypt and Germany.

In FY2014-15, the company reported profit after tax (PAT) of Rs. 0.10 crore on operating income of Rs. 28.00 crore, as compared to PAT of Rs. 0.17 crore on operating income of Rs. 28.43 crore in the previous year. The company's net worth stood at Rs.4.61 crore as on March 31, 2015, as compared with Rs.4.18 crore a year earlier.

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