

Press Release

06 June, 2017

S S B Metal Works

Rating Reaffirmed

Total Bank Facilities Rated *	Rs. 7.00 Cr.
Long Term Rating	SMERA B+/ Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 7.00 crore bank facilities of SSB Metal Works. The outlook is '**Stable**'.

SSB Metal Works (SSB), a proprietorship concern was established in 1989 and subsequently converted to a partnership firm in 1994. The firm is led by Mr. Bharat Lunia and Mr. Pravin Lunia and is engaged in the manufacturing and export of stationery products such as pens and geometric boxes. The firm sells its products under the 'Radius' brand name. SSB exports around 90 percent of its products to Turkey, Russia, Netherland, Thailand, Egypt and Germany.

Key Rating Drivers

Strengths

- **Experienced management**

SSB was established in 1989 and is headed by Mr. Bharat Lunia and Mr. Pravin Lunia, Partners who possess industry experience of over two decades.

- **Moderate financial risk profile**

The gearing levels stood at 1.29 times as on March 31, 2016 as compared to 1.25 times in the previous year. The interest coverage indicator remained stable at 2.79 times in FY2015-16 as compared to 2.26 times in FY2014-15. Further, the gearing is expected to increase in FY2017 since the firm has taken a term loan to finance purchase of machinery. The DSCR stood at 2.72 times in FY2015-16 as against 2.26 times in FY2014-15.

- **Moderate liquidity position**

The working capital cycle remained moderate at 49 days in FY2015-16. The payables stood at 61 days in FY2015-16 as compared to 93 days in FY2014-15. Further, the gross current asset days stood at 124 days for FY2015-16 as against 171 days for FY2014-15. However, the liquidity position has been comfortable and the average cash credit limit utilisation stood at ~60 percent for the last six months ended March, 2017.

Weaknesses

- **Small scale of operations**

The firm operates on a small scale inspite of its long track record of operations. The operating income stood at Rs.31.59 crore in FY2015-16 as against Rs.28.00 crore in FY2014-15. As per provisional figures, the operating income stood at ~Rs.23.42 crore for FY2016-17.

- **Thin profitability**

SSB continues to operate on thin profitability. The EBITA margin stood at 5.45 percent in FY2016 as compared to 5.56 percent in the previous year. Further, PAT margins stood thin at 0.75 percent in FY2016 as compared to 0.37 percent in FY2015.

- **Intense market competition**

The firm is exposed to intense market competition from the unorganised market and also from cheap Chinese products.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that SSB will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial increase in scale of operations while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues. Any deterioration in the financial risk profile on account of stretched working capital cycle or large debt-funded capital expenditure undertaken may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

The firm reported Profit after Tax (PAT) of Rs. 0.24 crore on operating income of Rs. 31.59 crore in FY2015-16 as compared to PAT of Rs. 0.10 crore on operating income of Rs. 28.00 crore in FY2015. The net worth stood at Rs. 4.03 crore as on March 31, 2016 as against Rs. 4.61 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Complexity Level Of Financial Instruments - <https://www.smerra.in/criteria-complexity-levels.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Feb-2016	Cash Credit	Long Term	INR 0.75	SMERA B+ / Stable
	Packing Credit	Short Term	INR 4.25	SMERA A4
	FDBP	Short Term	INR 1.25	SMERA A4
	Proposed Facility	Long Term	INR 0.75	SMERA B+ / Stable
09-Jan-2015	Cash Credit	Long Term	INR 0.6	SMERA B+ / Stable
	Packing Credit	Short Term	INR 3.8	SMERA A4
	FDBP	Short Term	INR 0.5	SMERA A4
	Proposed Cash Credit	Long Term	INR 0.4	SMERA B+ / Stable
	Proposed Packing Credit	Short Term	INR 0.95	SMERA A4
	Proposed FDBP	Short Term	INR 0.75	SMERA A4

*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	0.35	SMERA B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.15	SMERA B+ / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.25	SMERA A4
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.25	SMERA A4

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Kashish Shah Analyst - Rating Operations Tel: 022-67141152 kashish.shah@smera.in	

ABOUT SMERA

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