

Press Release

Ssb Metal Works (SSBMW)

August 03, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

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. The firm 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.

Key Rating Drivers

Strengths

- **Experienced management and operational track record**

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. The partners have industry experience of over two decades.

- **Moderate financial risk profile**

The gearing (debt-equity) stood at 1.97 times as on March 31, 2018 (Provisional) as compared to 1.94 times as on March 31, 2017. Interest Coverage Ratio has remained stable at 2.97 times in FY2018 (provisional) as compared to 3.67 times in FY2017. DSCR stood at 2.87 times for FY2018 as compared to 3.63 times for FY2017. The net cash accruals against the total debt stand at 0.16 times in FY2018 (Prov.) compared to 0.22 times in FY2017

- **Moderate liquidity position**

The working capital cycle of the firm remains moderate at 35 days for FY2018 (provisional) as against 61 days for FY2017. The payables for the firm stood at 98 days in FY2018 (provisional) as compared to 62 days in FY2017. Further, the gross current asset days stood at 161 days for FY2018 (provisional) as against 127 days for FY2017.

Weaknesses

- **Small scale of operations**

SSBMW operates on a small scale in spite of its long track record of operations. The firm's operating income stood at Rs.29.09 crore for FY2018 (provisional) as compared to Rs.23.45 crore for FY2017.

- **Thin profitability**

SSBMW continues to operate on a thin profitability. EBITA margin stood at 5.70 percent for FY2018 (provisional) as compared to 8.06 percent for FY2017. Further, PAT margins stood thin at 0.96 percent for FY2018 (provisional) as compared to 1.00 percent for FY2017.

- **Highly competitive industry**

The competition stems from unorganised market and also from cheap Chinese products.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SSB Metal Works to arrive at the rating.

Outlook: Stable

Acuité believes that SSBMW will maintain a 'Stable' business risk profile over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case the firm registers a substantial increase in its scale of operations while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability in revenues or in case of deterioration in the firm's financial risk profile on account of stretched working capital cycle or large debt-funded capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	29.09	23.45	31.59
EBITDA	Rs. Cr.	1.66	1.89	1.72
PAT	Rs. Cr.	0.28	0.23	0.24
EBITDA Margin	(%)	5.70	8.06	5.45
PAT Margin	(%)	0.96	1.00	0.75
ROCE	(%)	9.64	9.24	9.98
Total Debt/Tangible Net Worth	Times	1.97	1.94	1.29
PBDIT/Interest	Times	2.97	3.67	2.79
Total Debt/PBDIT	Times	4.05	3.25	2.93
Gross Current Assets (Days)	Days	161	127	124

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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
06-Jun-2017	Cash Credit	Long Term	0.35	ACUITE B+ / Stable (reaffirmed)
	Proposed Bank Facility	Long Term	1.15	ACUITE B+ / Stable (reaffirmed)
	Bills Discounting	Short Term	1.25	ACUITE A4 (reaffirmed)
	Packing Credit	Short Term	4.25	ACUITE A4 (reaffirmed)
13-Feb-2016	Cash Credit	Long Term	0.75 (enhanced from Rs. 0.60)	ACUITE B+ / Stable (reaffirmed)
	Packing Credit	Short Term	4.25 (enhanced from 3.80)	ACUITE A4 (reaffirmed)
	Post Shipment Credit	Short Term	1.25 (enhanced from 0.50)	ACUITE A4 (reaffirmed)
	Proposed Working Capital Demand Loan	Long Term	0.75	ACUITE B+ / Stable (reaffirmed)
09-Jan-2015	Cash Credit	Long Term	0.60	ACUITE B+ / Stable (assigned)
	Packing Credit	Short Term	3.80	ACUITE A4 (assigned)
	Post Shipment Credit	Short Term	0.50	ACUITE A4 (assigned)
	Proposed Cash Credit	Long Term	0.40	ACUITE B+ / Stable (assigned)
	Proposed Packing Credit	Short Term	0.95	ACUITE A4 (assigned)
	Proposed Post Shipment Credit	Short Term	0.75	ACUITE A4 (assigned)

*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	ACUITE B+ / Stable (reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.15	ACUITE B+ / Stable (reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE A4 (reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE A4 (reaffirmed)

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About Acuité Ratings & Research:

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