

May 13, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loans	2.89	SMERA B+/Stable (Assigned)
Cash Credit	0.75	SMERA B+/Stable (Assigned)
Packing Credit	5.65	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 SSV Valves (SSV). The outlook is '**Stable**'. The ratings are constrained by the company's small-scale operations in an intensely competitive segment of the iron & steel industry. The ratings factor in the risks related to the firm's debt-funded capex. The ratings are also constrained as the firm is exposed to forex fluctuation risk. However, the ratings are supported by the firm's established operations and experienced management. The rating also draws comfort from the firm's moderate financial risk profile.

SSV established in 2007, is a Gujarat-based proprietorship firm engaged in manufacturing of engine valves, valve guide, valve seats inserts, valve tappets and valve collets. SSV has small-scale operations with revenue of Rs.34.44 crore in FY2013-14. The company plans to undertake capex of Rs.4.00 crore towards installing a new machinery. The project is likely to be funded through debt of Rs.3.00 crore and promoters' funds of ~Rs.1.00 crore. SMERA believes SSV's financial profile may deteriorate on account of the capex. SSV operates in an intensely competitive segment of the iron and steel industry. The company is susceptible to foreign exchange fluctuation risk as 100 percent of total sales are exported to USA and China

SSV benefits from its experienced management. The promoter Mr. Rajendra Jadav have more than a decade of experience in the iron and steel industry. SSV's moderate financial risk profile is reflected in gearing (debt-equity ratio) of 1.31 times as on March 31, 2014 and interest coverage ratio of 2.08 times in FY2013-14 (refers to financial year April, 01 to March, 31).

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Outlook: Stable

SMERA believes SSV will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than-expected revenues and profit margins, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded capex or working capital requirements.

About the firm

SSV Valves is a proprietorship concern established in the year 2007 by Mr. Rajendra Jadav, the company is engaged in manufacturing of engine valves, valve guide, valve seats inserts, valve tappets and valve collets.

For FY2013–14, SSV reported profit after tax of Rs.0.31 crore on total income of Rs.34.44 crore, as compared with profit after tax of Rs.0.29 crore on total income of Rs.23.77 crore in FY2012–13. The firm's capital stood at Rs.7.86 crore as on March 31, 2014, as compared with Rs.7.05 crore a year earlier.

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