

August 04, 2015

Facilities	Amount (Rs. Crore)	Rating
Term loan	0.35	SMERA BB+/Stable (Assigned)
Cash Credit	1.40	SMERA BB+/Stable (Assigned)
Proposed Facilities	7.30	SMERA BB+/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB+**' (read as SMERA double B plus) to the abovementioned bank facilities of S.T. Reddiar & Sons (STRS). The outlook is 'Stable'. The ratings derive comfort from the firm's experienced management and healthy profit margins. The ratings are also supported by the firm's healthy financial risk profile. However, the ratings are constrained by the firm's exposure to customer concentration risk and small-scale operations, while operating in an intensely competitive segment of the printing industry.

STRS, established in 1886, is an Ernakulam-based partnership firm engaged in the business of printing of religious books, brochures, calendars, etc. STRS benefits from its experienced management, Mrs. R. Saradambal, Mr. R. Ramesh, Mr. R. Suresh and Mr. S. Magesh Karthik, partners of STRS, have around three decades of experience in the printing industry. The firm's operating profit margins stands healthy at 20.98% (provisional) in FY2014-15 (refers to financial year, April 01 to March 31) as compared to 19.80% in FY2013-14, also the net profit margins of firm stands healthy at 7.68% (provisional) in FY2014-15 as compared to 5.15% in FY2013-14. These healthy margins can be primarily attributed to the company undertaking significant proportion of job work operations.

Firm's healthy financial risk profile is reflected in low leverage (debt-to-capital ratio) of 0.56 times (provisional) as on March 31, 2015 and strong interest coverage ratio of 4.52 times (provisional) in FY2014-15 (refers to financial year, April 01 to March 31). The firm has subordinated unsecured loans of Rs.0.43 crore from related parties. SMERA has treated such unsecured loans as quasi-equity.

STRS is exposed to customer concentration risk arising from high dependence on orders received from single customer namely Gideons International (~50% of total revenues in FY15). Firm has small-scale operations marked by revenues of Rs.14.00 crore (provisional) in FY2014-15. STRS faces intense competition from several players in the printing industry.

### Outlook: Stable

SMERA believes STRS 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 expands its client base and scale of operations while maintaining its profitability. The outlook may be revised to 'Negative' in case of significant decline in the firm's profit margins, or in case of deterioration in the firm's debt protection metrics and working capital management.

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**About the firm**

STRS, established in 1886, is an Ernakulam-based partnership firm. Partners of the firm are Mrs. R. Saradambal, Mr. R. Ramesh, Mr. R. Suresh and Mr. S. Magesh Karthik. STRS is engaged in the business of printing of religious books, brochures, calendars, etc.

For FY2014–15, STRS reported profit after tax (PAT) of Rs.1.07 crore (provisional) on operating income of Rs.14.00 crore, as compared with PAT of Rs.0.94 crore on operating income of Rs.18.23 crore in the previous year. The firm's net worth stood at Rs.8.17 crore (provisional) as on March 31, 2015, as compared with Rs.7.16 crore a year earlier.

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