

Press Release

Subbiah Matches

20 November, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 6.00 crore bank facilities of Subbiah Matches. The outlook is '**Stable**'.

Subbiah Matches (SM) is a Tamil Nadu-based firm, established in 2007 by Mrs. Veeralakshmi Subburaj. The firm manufactures cardboard wax stick matchboxes and wooden stick matchboxes. It has two facilities at Vembakkottai Road, Sattur and Padanthal, Sattur with installed capacity of 4000 bundles per day. The firm sells its products under the Speed, Ped, Baskar, Raja, Punkat and Umbrella brandnames.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter Mrs. Subburaj Veeralakshmi has experience of more than 25 years in the said line of business.

- **Moderate profitability**

The operating margins (EBIDTA) have improved to 7.12 per cent in FY2017 from 6.60 per cent in FY2016. The net profit after tax (PAT) margins stood moderate at 1.84 percent in FY2017 against 1.82 per cent in FY2016. The operating margins have improved as the firm has automated its operations in FY2017. In 2016, the operations were labour intensive.

- **Moderate financial riskprofile**

SM has moderate financial risk profile marked by networth of Rs.2.84 crore as on 31 March 2017 as against Rs.2.64 crore in the previous year. The gearing (debt to equity ratio) stood at 1.49 times as on 31 March, 2017 as against 1.45 times as on 31 March, 2016. The total debt of Rs. 4.22 crore as on 31 March, 2017 mainly consists of working capital borrowings of Rs. 2.70 crore, term loan of Rs. 0.57 crore and Rs. 0.95 crore worth of unsecured loans from relatives. The interest coverage ratio (ICR) improved to 2.63 times in FY2017 from 2.40 times in FY2016. In FY2017, the net cash accruals to total debt (NCA/TD) stood at 0.15 times as against 0.14 times in FY2016.

Weaknesses

- **Small scale of operations**

The scale of operations remained small for the period under study. The firm registered revenue of Rs. 14.79 crore in FY2017 and Rs. 13.60 crore in FY2016. The firm achieved revenue of Rs.9.45 crore till August 2017. The growth is mainly because the firm is able to cater to higher number of customers on account of increased capacity.

- **Working capital intensiveoperations**

The operations are working capital intensive for the period under study marked by high gross current assets (GCA) of 114 days in FY2017 as against 100 days in FY2016. This is on account of high

inventory holding of 106 days in FY2017 as against 91 days in FY2016 and debtor days of 12 days in FY2017 and FY2016. The cash credit utilisation is approximately 90 per cent.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm

Outlook: Stable

SMERA believes that SM will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in scale of operations, profit margins and improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the scale of operations and profitability or further elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2016-17, SM reported profit after tax (PAT) of Rs. 0.27 crore on operating income of Rs. 14.79 crore compared with PAT of Rs.0.25 crore on operating income of Rs. 13.60 crore for FY2015-16. The net worth as on 31 March, 2017 stood at Rs. 2.84 crore compared Rs. 2.64 crore as on 31 March 2016.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.64	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.36	SMERA BB- / Stable

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