

April 15, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA B-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (**read as SMERA Single B minus**) to the above-mentioned bank facilities of Shree Balaji Overseas (SBO). The outlook is '**Stable**'. The rating is constrained by the firm's moderate scale of operations, low profitability and stretched liquidity position amidst intense competition prevalent in the sugar trading industry. The rating is further constrained by the susceptibility of the firm's profit margins to volatility in prices of sugar. However, the rating is supported by the firm's experienced management.

SBO, established in 2008, is a Delhi-based proprietorship firm engaged in trading of sugar. SBO has a moderate operating scale with total operating income of Rs.38.54 crore in FY2012-13 (refers to financial year, April 01 to March 31). The firm's net profit margin is low at 0.41 per cent in FY2012-13. SBO has a stretched liquidity position, as reflected in high utilisation (96.41 per cent) of cash credit limit during July 2013 to November 2013. The firm faces intense competition from several players in the sugar trading industry. SBO's profit margins are exposed to volatility in prices of sugar.

SBO benefits from its experienced management. Mr. Sumit Mittal, proprietor of SBO, has around ten years of experience in the sugar trading industry.

Outlook: Stable

SMERA believes SBO will maintain a stable business risk profile over the medium term on the back of its experienced management and established association with customers. The outlook may be revised to 'Positive' in case the firm expands its scale of operations while registering better profit margins and achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the firm's working capital cycle or in case of deterioration in the firm's capital structure.

About the firm

SBO, established in 2008, is a Delhi-based proprietorship firm promoted by Mr. Sumit Mittal. SBO is engaged in trading of sugar.

For FY2012-13, SBO reported PAT of Rs.0.15 crore on total operating income of Rs.38.54 crore, as compared with PAT of Rs.0.13 crore on total operating income of Rs.36.10 crore for FY2011-12.

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The firm's net worth stood at Rs.2.45 crore as on March 31, 2013, as compared with Rs.2.36 crore a year earlier.

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