



SMERA RATINGS LIMITED

Shree Shakti Enterprises Private Limited (SSEPL)

Rating Rationale

April 30, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.50	SMERA B+/Stable (Assigned)
Letter of Credit	2.50	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA single B Plus**) and '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Shree Shakti Enterprises Private Limited (SSEPL). The outlook is '**Stable**'. The ratings are constrained by the company's small scale of operations and low profit margins amidst intense competition prevalent in the kitchenware industry. The ratings are further constrained by the company's high gearing (debt-to-equity ratio), stretched liquidity position and negative operating cash flows. However, the ratings are supported by the company's experienced management, established brand name and widespread marketing network.

SSEPL, incorporated in 1997, is a Haryana-based company engaged in manufacturing and export of stainless steel kitchenware and aluminium utensils. SSEPL has small-scale operations reflected in revenues of Rs.39.29 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.79 per cent in FY2012-13. SSEPL's profitability is susceptible to volatility in prices of raw materials. The company faces intense competition from several players in the kitchenware industry.

SSEPL's gearing (debt-to-equity ratio) is high at 2.16 times as on March 31, 2013. The company's operations are working capital-intensive. SSEPL's working capital cycle stretched from 51 days in FY2011-12 to 75 days in FY2012-13. The company has reported negative operating cash flows since FY2008-09. SSEPL's stretched liquidity position is evidenced by high average utilisation (~90 per cent) of cash credit limit during August 2013 to February 2014.

SSEPL benefits from its experienced management. Mr. Rakesh Bajaj and Mr. Rajesh Bajaj, directors of SSEPL, have around three decades of experience in the stainless steel industry. SSEPL sells kitchenware under the brand names 'Ensis', 'PNB Life Time', 'Sakthi' and 'Everwell'. The company has widespread marketing network comprising 30 distributors and ~500 dealers across India.

Outlook: Stable

SMERA believes the outlook on SSEPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company expands its scale of operations while achieving a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

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About the company

SSEPL, incorporated in 1997, is a Haryana-based company promoted by Mr. Rakesh Bajaj and Mr. Rajesh Bajaj. SSEPL is engaged in manufacturing and export of stainless steel kitchenware and aluminium utensils. The company has a manufacturing unit in Kundli, Haryana.

For FY2012–13, SSEPL reported net profit of Rs.0.31 crore on total income of Rs.39.29 crore, as compared with net profit of Rs.0.29 crore on total income of Rs.38.70 crore for FY2011–12. Further, SSEPL registered revenues of Rs.53.13 crore (provisional) during FY2013–14. The company's net worth stood at Rs.5.22 crore as on March 31, 2013.

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