Rating Rationale

Brickwork Ratings upgrades the rating from BWR BB to 'BWR BB+' while retained the Outlook as Stable for Bank Loan facilities aggregating ₹ 75 Cr (proposed enhancement from ₹ 45 Cr) of SBJ Exports & Mfg. Private Limited, New Delhi

On a review, Brickwork Ratings has revised the **Rating**[1] for Bank Loan facilities aggregating ₹ 75.00 Cr (proposed enhancement from ₹ 45.00 Cr) of **SBJ Exports & Mfg. Private Limited, New Delhi** as under:

Bank/ Nature of Facility	Amt. (₹ Cr) (Mar 2015)	Amt. (₹ Cr) (Jul 2016)	Rating History (Mar 2015)	Rating (Jul 2016)
Axis Bank - Cash Credit	29.00	**29.00**	BWR BB (Outlook: Stable)	**BWR BB+ (Outlook: Stable) (Upgraded)**
OBC – Cash Credit	16.00	**16.00**		
Rated Limits ***(Previous)***	45.00*	45.00		
Proposed Limits (working capital)	-	**30.00****	-	
Rated Limits	45.00*	**75.00**	**INR Seventy Five Crores Only**	

Note: *Aforesaid existing Banking limits are under Consortium Arrangement led by Axis Bank: ₹29.00 Cr and Oriental Bank of Commerce: ₹16.00 Cr
**** For the proposed enhancement in limits by ₹ 30 Cr, the Company has approached its existing Banks and also other Banks.**

BWR has essentially relied upon the audited financials upto FY15, provisional statements for 9MFY16 and projections for FY16 and FY17 of SBJ Exports & Mfg. Private Limited, publicly available information and information/clarification provided by the Company's management.

The rating continues to factor in the Promoters experience, locational advantage of the unit at Kala-Amb, Sirmour, Himachal Pradesh, its present installed/utilized capacity and the revenues over the past three years. The rating is constrained by the Company's moderate scale of operations, high financial leverage and the fragmented nature of industry is vulnerable to high competition and restricts the product pricing flexibility of manufacturers.

Background:
SBJ Exports & Mfg Private Limited (SBJ) is engaged in manufacturing of Inverters of different capacities with latest technology of power conversion equipment. It was converted from a partnership firm "Shri Balaji Export & Manufacturing" and incorporated as SBJ Exports & Mfg. Private Limited in 2013. The Directors of the Company Mr Amit Jain and Mr Mukesh Gupta were the only two partners in the firm with profit sharing in the ratio of 51:49.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

The partnership concern formed in 2009 was initially started as a Sole Proprietorship viz. Ansh Electronics by Mr Amit Jain in the year 2003. The Company/firm since its inception has been in the business of manufacturing inverters/UPS and Geysers, Induction Cookers and Juicer Mixer grinders (JMG) and Mixer Grinders (MG).

The Company has its Corporate office at New Delhi. The manufacturing unit is functioning from its own premises having a built up area of 1,36,800 sq. ft. at Kala-Amb, Distt. Sirmour, Himachal Pradesh (HP) in 2010. This helped to avail benefits in the form of excise duty exemption for period of 10 years. The unit has a capacity to produce around 7000 Inverter units per day and has shown growth over the years

Particulars	2012-13	2013-14	2014-15	9MFY16
Installed capacity (No. of pieces in Lacs)	21.40	27.84	32.00	40.00
Utilized capacity (No. of pieces in Lacs)	14.65	19.78	24.42	25.60
Capacity utilization (%)	68.46	71.05%	76.31%	64.00%

The Company continues to work with PWM (Pulse-Width Modulation) technology and its R&D department is regularly involved in the process of developing power efficient equipment so as to provide optimum power conversion. The Company has developed pure Sine wave power conversion equipment and working on non – conventional energy sources i.e. solar energy products. The Company also manufactures Electric Geysers with BEE certification.

Financial Performance:

The Company's revenues have increased from ₹ 318.93 Cr in FY15 to ₹ 346.98 Cr in 9MFY16, it was ₹ 220.43 Cr in 9MFY15. Despite fall in projected revenues for FY15, the Operating profits have improved from ₹ 18.60 Cr in FY15 to ₹ 20.49 Cr in 9MFY16, it was ₹.6.17 Cr in 9MFY15. This is due to effective capacity utilization. Net Profits have improved from ₹ 1.37 Cr in 9MFY15 to ₹ 13.12 Cr in 9MFY16, it was ₹ 9.77 Cr in FY15. The Operating profit margins have improved marginally from 5.83% in FY15 to 5.90% in 9MFY16 while the Net profit margins improved from 3.06% in FY15 to 3.78% in 9MFY16. Being a working capital intensive unit and in an competitive environment, the working capital cycle have increased over 3 months from less than 3 months and receivable days too have increased over 2 months for 9MFY16from less than 2 months for FY15.

The Company has informed of achieving provisional revenue of ₹ 390 Cr and net profit of ₹ 12.05 Cr for FY16. The Company had deferred its plans from FY16 to FY17 to manufacture LED TV and Solar Panel under their own Brand 'SBJ'. However, the Company has conservatively made projections for FY17 based on present capacity utilization and existing clientele.

The Company is in the process of arranging additional working capital funds from various Banks/FI's while the promoters shall bring in necessary additional capital on sanction from Banks. The lending Banks have confirmed that the existing loan facilities are standard assets with them.

Industry:

India's inverters and UPS market for coming few years is expected to be driven by power deficit and Industrial expansion. The demand and supply gap between electric energy in India and the increasing purchasing power of Indian consumers has mainly contributed to the growth in India's inverters market. Further, the growing intolerance for long power cuts among consumers is also instrumental for the growth in the industry. The market for inverters and UPS in India is fragmented and there exist a large number of small unorganized players manufacturing sub-standard and local inverters. However, the market is dominated by a few leading brands. The future Growth of India Inverters and UPS market is expected to be led by low availability of high quality power, expansion of industries and increasing income levels of consumers. Going forward, the Company's ability to capitalize on these key drivers and create awareness for its brand so as to remain competitive shall be one of the key rating sensitivities.

Rating Outlook:

The Rating reflects the promoters' initiative and experience in growing its business by adapting to the changing environment. Apart from improving revenues, improving profit margins will be crucial for its growth trajectory and is a key rating sensitivity. Further, efficient working capital management and reducing leverage will remain the other key rating sensitivities.

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