RATING RATIONALE **10 November 2020**

Eswari Exports Private Limited

Brickwork Ratings reaffirms the long term ratings for the Bank Loan Facilities of ₹. 14.70 Crores of Eswari Exports Pvt Ltd

PARTICULARS

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2020)	Present
Fund based	24.70	14.70	Long Term	BWR BB (Stable)	BWR BB (Stable) (Reaffirmed)
Total	24.70	14.70	INR Fourteen Crores Seventy lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.
**Complete details of Bank facilities is provided in Annexure -I & II

RATINGS: Reaffirmed
Brickwork Ratings reaffirmed the long term rating to "BWR BB" to Eswari Exports Pvt. Ltd. for the bank loan facilities.

KEY RATING DIVERS
BWR has primarily relied upon the audited financial up to FY19, provisional of FY20, projected financial up to FY22, publicly available information and the information/clarifications provided by the management.
The revision of the rating draws strength from the experience of the promoters, established track record of the company, wide geographical reach, group support, diversified product portfolio and strong relationship with customers and suppliers. However, the ratings are constrained by high gearing level, increase in profitability, intense competition in the market and working capital intensive nature of operations.

DESCRIPTION OF KEY RATING DRIVERS
Credit Strengths:

- **Management:** Company is been in the same line of business since 2005. Adequate experience of the management in the trading industry for more than a decade who understand the market dynamics and have an established relationship with customers & suppliers.

- **Revenue:** Increase in revenue from Rs. 90.89 Crs in FY18 to Rs. 93.44 Crs in FY 19. In FY 20 company is provisional revenue of Rs. 92.18 Crs.
- **ISCR and DSCR**: ISCR is moderate at 1.62 times in FY19 showing adequate interest repayment capacity of the company. DSCR is also moderate i.e. 1.45 in FY 19 showing high commitment towards the scheduled payments.
- **Profitability:** Improved Net profit margin (0.95) and operating profit margin (3.61) in FY 19. Net profit margin and operating profit margin stands at 1.55 and 5.87 times as per FY 20 provisional.
- **Gearing Ratio:** Satisfactory gearing ratio as Total debt/ TNW increased to 1.85 times in FY 19 from 1.35 times in FY 18. Moderate TOL/ TNW of 3.43 times in FY 19 compared to 3.87 times in FY 18.

Credit Risks:

- **Revenue:** On a provisional basis, the company has reported revenue of Rs. 92.18 Crs for the FY 20 because of economic slowdown.
- **Liquidity:** The liquidity position of the company is moderate as the current ratio stands at 1.39 times in FY 19.
- **Business risk:** Business operations are exposed to high regulations imposed by the government on product quality, prices and patent rights, foreign currency fluctuation risk, etc.
- **Competition:** High competition from many organized and unorganized players in the vicinity.
- **Customer Concentration Risk:** Customer concentration risk exists as major customer orders for 73.46% of the revenue of the company.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the company to further improve revenue, achieve targeted revenue and profitability, improve overall financial profile, timely repayment of debt obligations along with managing the operating expenses and managing its working capital efficiently will be the key rating sensitivities.

Positive: The ratings may be upgraded if profitability, liquidity, gearing and overall credit profile show substantial improvement.

Negative: The rating may be downgraded in case there is a significant deterioration in business and financial risk profile and continued delay in payment of unpaid statutory dues of the company from its current level.

LIQUIDITY POSITION: Moderate
The company has a moderate liquidity profile, driven by a current ratio of 1.39 times in FY19 as compared to 1.26 times in FY 18. The Cash and Cash Equivalents stand at Rs 0.04 Crs for FY 19 audited.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED- The terms of sanction include standard covenants normally stipulated for such facilities.

COMPANY PROFILE
Eswari Exports Pvt Ltd (EEPL), Hyderabad based Company was incorporated in the year 2005 by Mr.
Katragadda Ravi Kumar. Mr. Katragadda Ravi Kumar, the Managing Director, has to his credit 27 years' experience in the line of Activity.

The company is engaged in trading of porcelain tiles, slate, pavers, glass, and metal mosaic, kitchen tops, table tops, granite blocks and slabs. The company is also into exports of Rough Granite Blocks to China. EEPC imports materials mainly from Italy, China and Turkey.The Company is also going to restart the Maple red Quarry in Karimnagar which may contribute additional Rs.15 crores turnovers for FY20-21. Of the total Revenues, more than 90 percent of its revenues are by supplies to its group entity Graniti Vicentia LLC (GVLLC) based in the USA. The company is presently operating in Black galaxy Granite quarry with a plan of doubling production.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	2019	2018
Result Type		**Audited**	**Audited**
Operating Revenue	In Crores	93.44	90.89
EBITDA	In Crores	3.37	2.82
PAT	In Crores	0.88	0.83
Tangible Net worth	In Crores	10.12	9.24
Total Debt/Tangible Net worth	In Times	1.85	1.35
Current Ratio	In Times	1.39	1.26

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY- NA*

ANY OTHER INFORMATION- Nil

RATING HISTORY FOR THE LAST THREE YEARS (including withdrawn/suspended ratings)

Instrument /Facility	Current Rating			Rating History		
	Type	Amount (Rs. Cr)	Rating	2019 (1.7.2019)	2018	2017
Fund Based	Long term	14.70	BWR BB (Stable) (Reaffirmed)	BWR BB (Stable)	--	---
Total		14.70	INR Fourteen Crores seventy lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**

For any other criteria obtain hyperlinks from website

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Eswari Exports Private Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term [Rs Cr]	Short Term [Rs Cr]	Total [Rs Cr]
United Bank of Indian(Andhra Bank)	Fund Based: Secured Overdraft (SOD) against Real Estate	14.70	--	14.70
TOTAL				14.70

Total Rupees Fourteen crores seventy lakhs only

ANNEXURE II

Details of instruments (NCD/Bonds/CP)

Instrument	Issue Date	Amount in Crs.	Coupon Rate	Maturity Date	ISIN Particulars
NA	NA	NA	NA	NA	NA

ANNEXURE III
List of entities consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
NA	NA	NA	NA

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.