Rating Rationale

FSD Building Material Pvt Ltd

25th May 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs.30.00 crores (INR Thirty Crores only) of FSD Building Material Pvt Ltd

Particulars

Facilities	Amount	Tenure	Rating
Fund Based			
Cash Credit (SODH)	30.00	Long Term	**BWR BB-** Outlook-stable (Pronounced BWR Double B Minus)
Non Fund Based			
Sub limit _PCL/PCFC	(30.00)	Short Term	**BWR A4** (Pronounced BWR A Four)
Sub limit _LC	(15.00)		
Sub limit _BG	(1.50)		
Sub limit _FDBP/FUBP/EBR/AABC	(30.00)		
Total	Rs. 30.00 Crores (INR Thirty Crores Only)		

***** Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial result of the company up to FY16, projections up to FY19 and publicly available information and information/clarification provided by the management.

The rating draw strength from experience of the promoters, the growth registered in turnover, moderate net worth and strong order book position. However the rating is constrained by low profitability margins inherent to trading, exposure of foreign currency fluctuation risk and high level of competition from other players.

Going forward, ability of the company to increase its scale of operations while improving its profitability margins would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **FSD Building Material Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

FSD, incorporated in 2010, is promoted by Mr Yahya Farouk Darvesh, Ms Hanifa Farouk Darvesh, and Mr Zakaria Farouk Darvesh based in Mumbai. The family has been engaged in the timber industry for over 100 years. The company trades in timber, medium-density fibreboard, and wood-based materials, and is managed by Ms Hanifa Farouk Darvesh and Mr Zakaria Farouk Darvesh.

Company Financial Performance

As per audited financial statements of FY16, the company has reported net sales/revenue of Rs. 18.85 Crs and PAT of Rs. 1.13 Crs against net sales/revenue of Rs.10.06 Crs and PAT of Rs. 0.83 Crs in FY15. As per management of the company it has achieved Sales of Rs 40.02 Cr as on 31st March, 2017.

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
1	Cash Credit	Long Term	30.00	**BWR BB-** (Stable)	NA	NA	NA
2	Sub limit _PCL/PCFC	Short Term	(30.00)	**BWR A4**			
3	Sub limit _LC		(15.00)				
4	Sub limit _BG		(1.50)				
5	Sub limit _FDBP/FUBP/EBR/AABC		(30.00)				

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Trading Sector
- Short Term Debt

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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