Rating Rationale

Faithful Commercial Ltd.

04 Dec 2018

Brickwork Ratings reaffirms the ratings for the bank loan facilities of ₹ 10 Crores of Faithful Commercial Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund based	11.02	10.00	Long Term	BWR BB- Pronounced as Double B Minus Outlook:Stable	BWR BB- Pronounced as Double B Minus Outlook:Stable [Reaffirmation]
Total	11.02	10.00	Rupees Ten Crores Only		

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

Rating: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results of Faithful Commercial Ltd. upto FY18 and projected financials upto FY21, publicly available information and information provided by the management.

The rating has, inter alia, factored in the promoter's extensive business experience, comfortable leverage & liquidity position and moderate debt protection metrics. The rating is, however, constrained by highly competitive industry scenario and low profitability margins.

Going forward scaling up of business, meeting projections, improving profitability and ensuring timely servicing of debt would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Promoters experience:-** Promoters of the company have many decades of industry experience in the same line of business.
- **Comfortable leverage: -** Leverage level of the company stood in comfortable range with TD/TNW and TOL/TNW at 0.88 times and 0.96 times respectively as on 31st March 2018 as against 0.97 and 1.07 respectively as on 31st March 2017
- **Comfortable debt protection metrics:-** ISCR of the company stood at 4.24 times in FY18 indicating the company's comfortable position as far as debt obligation is concerned

Credit Risks:

- **Highly competitive industry scenario:-** The company faces tough competition from organised and unorganised sector. Also it faces risk from the cheap import of edible oil which can further reduce the profitability margins
- **Low profitability margins:-** Though there is a marginal increase in operating income from 3.18% in FY17 to 3.26% in FY18, it is still in lower range and can have negative impact due to highly competition scenario.

Analytical Approach

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 Outlook: *Stable*

BWR believes the **Faithful Commercial Ltd.'s** 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

Faithful Commercial Limited was incorporated in 1983 and is engaged in extraction of edible oils. The company has its manufacturing facilities located at GIDA, Sahajanwa, Gorakhpur. It commenced operation in FY13 with installation of solvent extraction plant with capacity of around 400 tons per day. The company has also constructed warehouses and rented it out.

The company purchases its raw material from various rice millers all over Uttar Pradesh and from some districts of Bihar. The company sells its products to various oil refineries in the region and to cattle feed companies.

Liquidity:-

As on 31st March 2018, the company had cash and cash equivalent of Rs. 3.40 Crs. During the period from April to September, utilization in the limits is on lower side. Average utilization during the period is 30%. By the end of September 2018, working capital utilization has reached 56%. It is expected to go up during to coming quarters. Utilization will be at maximum level during November to Feb period which will be around 90%.

Company Financial Performance:-

FCL reported operating income of Rs. 87.63 Crs. with a net profit of Rs. 0.96 Crs. in FY18 against an operating income of Rs. 94.69 Crs. with a net profit of Rs. 0.55 Crs in FY17.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History			
		Type	Amount (₹ Crs)	Rating	2018 Aug	2017 April	2016 March	2015 Feb
1.	**Cash Credit**	Term Loan	10.00	**BWR BB- Pronounced as BWR Double B Minus Outlook:Stable**	**RNR**	**BWR BB-**	**BWR BB-**	**BWR B+**
	Total		**10.00**	**₹ Ten Crores Only**				

Status of non-cooperation with previous CRA (if applicable)-NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	Rs. Crs	87.63	94.69
EBITDA	Rs. Crs	2.85	3.01
PAT	Rs. Crs.	0.96	0.55
Tangible Net worth	Rs. Crs	12.45	11.48
Total Debt/Tangible Net worth	Times	0.88	0.97
Current Ratio	Times	1.49	1.17

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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