



## Rating Rationale

Shamko Exim Pvt. Ltd.

26 Dec 2018

**Brickwork Ratings revises/reaffirms the ratings for the Bank Loan Facilities of ₹. 13.00 Crores of Shamko Exim Pvt. Ltd.(SEPL)**

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*		
	Previous	Present		Previous (April, 2017)	Previous (Aug, 2018)	Present
<b>Fund based</b> Cash Credit	2.00	2.00	<b>Long Term</b>	<b>BWR B+</b> (Pronounced as BWR single B plus) <b>Outlook:Stable</b>	<b>Rating Not Reviewed</b>	<b>BWR B</b> (Pronounced as BWR single B ) <b>Outlook:Stable (Downgraded)</b>
FDBP/FUDBP (sub limit)	(0.50)	(0.50)	<b>Short Term</b>	<b>BWR A4</b> (Pronounced as BWR A Four)		<b>BWR A4</b> (Pronounced as BWR A Four) <b>(Reaffirmed)</b>
<b>Non Fund Based</b> Bank Guarantee	11.00	11.00				
<b>Total</b>	<b>13.00</b>	<b>13.00</b>	<b>INR Thirteen Crores Only</b>			

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Ratings: Long term rating downgraded and short term rating reaffirmed**

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY18, and along with publicly available information, information/clarifications provided by the Company's management.



The reaffirmation of ratings continues to factor the experienced management and established relationships with customers & suppliers and moderate gearing profile. The ratings, however continue to be constrained by the small scale of business operations, overall weak financial risk profile marked by low net worth, below negative debt protection metrics & thin profitability of the business and information risk. The ratings are also constrained by stretched working capital cycle owing to high inventory holding period and volatile & intensely competitive nature of the Granite and base oil trading business.

Going forward, the ability of the Company to increase its scale of operations, manage working capital efficiently and improve its overall financial risk profile would be the key rating sensitivities.

### **Description of Key Rating Drivers**

#### **Credit Strengths:**

- **Promoters Experience** - The Promoters of the Company have experience of more than a decade in the same line of business
- **Established relationship** - Relationship with customers and suppliers is more than a decade.
- **Moderate gearing** - Gearing of the company stood at 1.01 times in FY18.

#### **Credit Risks:**

- **Small scale of business operation** - Decreased revenues in last two years from Rs. 11.53 Crs in FY16, Rs. 5.11 Crs in FY17 to Rs. 3.09 Crs in FY18,
- **Weak financial profile** - Marked by low net worth of Rs. 4.13 Cr in FY18, Negative interest and debt coverage indicators stood at 0.13 times and 0.39 times in FY18 and operating profit margin stood at negative 0.81 % in FY18.
- **Stretched working capital cycle** - Stretched working capital cycle owing to high inventory holding period of 270 days and conversion cycle of 170 days in FY18.

#### **Liquidity position of the firm**

Liquidity position of the firm remains at moderate level considering minimum requirement of fund based limits for this type of trading business. The firm avails mainly Non Fund Based limits for its operations with usance period of 180 days. liquidity of the firm is satisfactory



### **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 **Shamko Exim 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**

Shamko Exim Pvt Ltd incorporated in July 2003 at Hospet, Karnataka, Shamko Exim Private Limited (Erstwhile Shamko Mining Pvt Ltd) is engaged in the business of export, import and trading of Granite blocks, and base oil. The Company is also a Merchant Exporter and Trader of Oil and petroleum products through its wholly owned subsidiary Green Span Inc FTZ located in UAE, however there are no operations currently.

The Company exports granites and other minerals to overseas markets of China and Hong Kong as reported the company is currently catering to domestic market only. SEPL is promoted by Mr K. M. Veeresh and the family. Veeshamko Exim Pvt Ltd, the associate concern of SEPL is also engaged in the business of trading Granite Blocks and is run by the same promoters.

Mr. K M Veeresh is the Managing Director and looks after the domestic operations of Granite exports. Mr.K.M. Nagraj is the Director and looks after the petroleum trading operations of the subsidiary Company, Green Span Inc, UAE. Both the directors have experience of over ten years in the industry.

### **Company Financial Performance**

As per FY18 audited financials the Company has reported revenue of Rs. 3.09 Crs and PAT of Rs. 0.14 Crs.

### Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	6.4.2017	13.12.2016	4.8.2015
	<b>Fund Based</b>	Long Term	2.00	<b>BWR B</b> (Pronounced as BWR single B) (Outlook:Stable) (Downgraded)	<b>BWR B+</b> (Pronounced as BWR single B plus) (Outlook:Stable)	<b>Rating Not Reviewed</b>	<b>BWR B+</b> (Pronounced as BWR single B plus) Outlook:Stable
	<b>Non Fund Based</b>	Short Term	11.00	<b>BWR A4</b> (Pronounced as BWR A Four) (Reaffirmed)	<b>BWR A4</b> (Pronounced as BWR A Four)		<b>BWR A4</b> (Pronounced as BWR A Four)
	<b>Total</b>		<b>13.00</b>	<b>₹ Thirteen Crores Only</b>			

Status of non-cooperation with previous CRA : Not to our Knowledge  
Any other information: Nil

### Key Financial Indicators

Key Parameters	Units	2016	2017	2018	2019	2020
Result Type		Audited	Audited	Audited	Projections	Projections
Operating Revenue	₹ in Crs	11.53	5.11	3.09	6.02	7.83
EBITDA	₹ in Crs	0.21	(0.20)	(0.03)	0.37	0.66
PAT	₹ in Crs	0.02	0.03	0.14	0.43	0.68
Tangible Net worth	₹ in Crs	3.96	4.00	4.13	4.60	5.29
Total Debt/Tangible Net worth	Times	1.36	1.45	1.01	1.22	1.14
Current Ratio	Times	2.67	6.04	5.86	5.31	5.42

Hyperlink/Reference to applicable Criteria



- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.



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