



Rating Rationale

Shankheshwar Enterprises

22nd March 2017

Brickwork Ratings assigns the rating for the Bank Loan Facilities of Rs. 8.50 Crores of Shankheshwar Enterprises, Ludhiana

Particulars

Facility	Amount (Rs. Cr)	Tenure	Rating*
Fund Based			
Cash Credit	6.50	Long Term	BWR B+ [BWR B Plus] (Outlook:Stable)
Proposed Cash Credit	0.50		
Term Loans	0.66		
Proposed Term Loans	0.84		
Total	8.50		INR Eight Crores and Fifty Lakhs Only

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

Rating Assigned

Brickwork Ratings have assigned the rating for Bank Loan facilities amounting to Rs. 8.50 Crores of Shankheshwar Enterprises (“SE” or the “Firm”), Ludhiana availed from Union Bank of India as detailed in the table above.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results upto FY16 of Shankheshwar Enterprises, publicly available information and information/clarification provided by the company’s management. The rating necessarily factors, in, existence of business for more than a decade and partners' experience in fabric industry. The rating is however constrained by high cash conversion cycle thus putting stress on working capital needs, moderate scale of operations, intense competition in fabric industry and its fragmented nature resulting in low profitability margins considering the long existence of business in the industry.

BWR believes that Shankheshwar Enterprises' revenue growth and operating profitability will remain constrained by the intense competition in the fabric industry. Company’s business risk profile may remain vulnerable to working capital intensive nature of the industry, over the medium term. However Promoters extensive experience and their understanding of the

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dynamics of the market are expected to position the company to successfully stabilize its operations and scale up its business.

Going forward, the ability of the company to efficiently manage its working capital requirement to meet its increase in demand based requirement, increase scale of operations, improve the financial risk profile by achieving higher profitability vis-a-vis its growth in sales will be the key rating sensitivities.

Rating Outlook: Stable

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

Shankheshwar Enterprises is a partnership firm established in 2001 based in Ludhiana. It is engaged in manufacturing of fabric and undertakes job work. It manufactures fabric by knitting and crocheting. Job work includes fabrication, printing and carrying out embroidery on the cloth supplied to them. In FY16, job work constitutes less than 1% of total operating income. Sale of cloth operations commenced from 2009, prior to that, it was engaged in doing job work by carrying out printing and embroidery. The partners of the Company, Shri Sudhir Jain have an experience of more than two decades while Shri Harit Jain and Shri Dhimant Jain an experience of more than a decade in the fabric industry.

Company Financial Performance

The Company reported operating income of Rs.30.31 Cr in FY16 compared to Rs.26.71 Cr in FY15 and against Rs.23.18 Cr in FY14. The Operating Profit margins stood at 5.86% in FY16 compared to 6.33% in FY15 and against 7.10% in FY14 while Net Profit margin stood at 1.12% in FY16 against 1.05% in FY15 and 0.93% in FY14. The tangible net worth of the company for the FY16 stood at Rs.6.80 Cr. The Company has unsecured loans from promoters and body corporates of Rs.1.78 Cr. During the current year FY17, the company has informed of achieving revenues of Rs.20.58 Cr till first nine months of FY17.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl No.	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs Cr)	Rating	2016	2015	2014
1	Cash Credit	Long Term	6.50	BWR B+ [BWR B Plus] (Outlook: Stable)	-	-	-
2	Proposed Cash Credit		0.50		-	-	-
3	Term Loans		0.66		-	-	-
4	Proposed Term Loans		0.84		-	-	-

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Due to non-cooperation the rating of B+ for the Bank loan facilities amounting to Rs.8.00 Cr of Shankheshwar Enterprises was suspended by CRISIL on December 28, 2016; in the absence of adequate information a valid rating could not be maintained.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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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

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.