



Rating Rationale

Shiva Trading Company

13 Aug 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 29.75 Crs. of Shiva Trading Company.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May, 2017)	Present
Fund based	29.75	29.75	Long Term	BWR B+ (BWR Single B Plus) Outlook:Stable	BWR BB- (BWR Double B Minus) Outlook:Stable
Total	29.75	29.75	INR Twenty Nine Crores Seventy Five Lakh Only		

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

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of the Company up to FY17 & provisional up to FY 18, publicly available information/clarifications provided by the Company's management.

The rating draws comfort from the proprietor's extensive business experience, increase in total revenue, adequate liquidity, efficient conversion cycle and locational advantage. The rating is, however constrained due to relatively low net profit margins and tangible net worth, high leverage, competition from both organized and unorganized sectors in the vicinity of the firm and limitation of proprietorship concern in terms of management and financial decisions.

Going forward, the ability of the Company to scale up its revenues, improve the profitability margins, strengthen the capital structure would be key rating sensitivities.

13 Aug 2018



Description of Key Rating Drivers

Promoters' extensive experience : The company benefits from its promoters' extensive experience of more than two decades in trading of agro-commodities. Over the years, the company has established long standing relationships with customers and suppliers.

Average financial risk profile: The financial risk profile is marked by moderate TOL/TNW ratio of 2.11 times as on March, 2017. The interest coverage ratio remained modest at 1.17 times in fiscal 2017.

Low Tangible Net Worth- As per the operation and level of debt the tangible net worth is low at Rs 7.04 Crores. To support the business requirement, they have also introduced unsecured loans of Rs 11.00 crs.

Working Capital Incentive Nature Of Operation: Working capital requirement is high due to inherent nature of the business.

Thin Profitability Margins : Thin Profitability margins indicated by net profit margin of 0.05 % and operating profit margin of 0.35% in FY17 because of the limited bargaining powers.

Agro Climatic Risk : Since cotton oil seeds is an agricultural commodity, its availability is limited and primarily affected by the vagaries of the monsoon.

Intense competition: The entity operates in a highly fragmented industry wherein the presence of large number of players in the unorganised sector limits the bargaining power.

Limitation of proprietorship concern: Being a proprietorship firm, the firm is exposed to inherent risk of any withdrawals by the proprietor may impact the capital structure of firm & limitation in terms of management and financial decisions.

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 **Shiva Trading Company** 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

Shiva Trading Company is a proprietorship concern established in Mansa, Punjab. Mr. Laxmi Devi is the proprietor of the firm. The firm was established in 2011. Before that, the proprietor was into agricultural



business. The firm is engaged majorly in trading as well as into value addition of various agricultural products such as oil seeds and their bi products such as binola, khal binola, oil binola, gad, cotton, sarson and gawar (cluster beans).The firm is primarily procuring cotton oil seeds, crushing them and making items out of it such as Binola and khal Binola (cotton seeds oil cake), oil binola used in edible oil and Gad which are used in manufacturing of soaps.

Company Financial Performance

Shiva Trading Company's Total Operating Income stood at ₹ 447.01 Crores in FY 17 as compared to Rs.351.73 crs. in FY16. PAT for FY 17 was Rs.0.21 crs. On provisional basis, the firm has achieved Net sales turnover of ₹525.47 Crores with PAT 0.23 Crores in FY18.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	31-05-2017	28-04-2016	2015
1	Fund Based	Long Term	29.75	BWR BB- outlook : stable upgrade	BWR B+ outlook: stable	BWR B outlook: stable	N.A
	Total		29.75	₹ Twenty Nine Crores Seventy Five Lakh Only			

Status of non-cooperation with previous CRA (if applicable)-N.A

Any other information-N.A

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	447.01	351.73
EBITDA	₹ Cr	1.48	1.72
PAT	₹ Cr	0.21	0.19
Tangible Net worth	₹ Cr	7.04	7.01



Total Debt/Tangible Net worth	Times	3.67	5.73
Current Ratio	Times	2.21	1.62

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>RK Sharma</i> <i>GM-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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.

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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 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.