

SHREE BALAJI COAL TRADERS LTD

Brickwork Ratings Downgrades the rating for the long term bank loan facilities of Shree Balaji Coal Traders Ltd. (SBCTL or the Company) for an aggregate amount of Rs. 30.00 Crs as under.

Particulars:

Facility Rated @	Previous (Rs. Crs)	Present (Rs. Crs)	Tenure	Previous[^] June, 2019	Rating[#]
Fund Based Cash Credit	30.00	30.00	Long Term	BWR BBB- Stable	BWR BB+ Stable, (Downgraded)
Total	30.00	Rs.30.00 (Rupees Thirty Crores Only)			

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

@ Details of Bank facilities are provided in Annexure-1

[^]The Rating was published under “Rating Not Reviewed” category on 18 June, 2020.

Rating Action/Outlook:

BWR has essentially relied upon the Audited financials of the Company for FY19, Provisional figures for FY20, projections for FY 21 other information as available in the public domain, as well as information / clarifications provided by the Company and its bankers, to arrive at the present ratings.

Based on annual review, BWR has **downgraded** the rating of the long term bank loan facilities of Shree Balaji Coal Traders Ltd. (SBCTL) for Rs. 30.00 Crs. from BWR BBB-, to **BWR BB+**, with a ‘**Stable**’ outlook.

The rating has been assigned a ‘**Stable**’ outlook as the business risk profile of the company is stable and the position with regard to business and profitability is expected to be maintained in the medium term.

The rating downgrade reflects the substantial decline in scale of operations of the company as per FY20 provisional numbers, lack of revenue visibility and stretched liquidity position of the company. The rating downgrade also reflects the revenue risk on account of volatility in prices of traded goods, the high working capital intensive and trading nature of operations, as well as the intense competition in this segment and exposure to Government regulations. However, the rating is supported by the promoter's extensive experience of more than two decades in the coal trading business, established relationships with key customers, diversified customer base across different industries and geographies, and comfortable financial risk profile .

KEY RATING DRIVERS:

Credit Weaknesses :

- **Substantial decline in scale of operations:**The revenue of the company has been continuously declining since the last two fiscals; In FY 19 it has declined by 3.65% to Rs.148.47 Crs and the same has declined significantly by 26.28% to Rs.109.45 in FY 20. The scale of operations remained moderate as reflected in TOI of Rs.Rs.109.45 crores in FY20 (Provisional).
- **Lack of Revenue visibility:** The company does not get bulk orders, but in small batches spread over the year. Accordingly, it is difficult to assess the future cash flows of the company. However, given the trend of past orders received, and the revenue booked in this fiscal so far, it is likely that the projections will be met.
- **Volatility in prices of traded goods:** SBCTL purchases trading goods (different sizes of coal) from domestic suppliers, depending on receipt of confirmed orders and inventory requirement, for trading on stock & sale basis. However, as informed by the management, some of the sales are made based on back-to-back orders, insulating the company from price volatility to a certain extent.
- **Working Capital intensive & Trading nature of business:** The operations of the company, which is into the trading nature of business, is working capital intensive, where high inventory & receivables are required to be maintained. The same is also reflected in its high working capital utilisation during the last six months.
- **Intense competition due to low entry barriers:** The company is into trading of coal which is highly fragmented and competitive in nature due to low entry barriers. Further, trading by all entities in the same products with a low product differentiation results in price driven sales, and intense competition restricts the pricing flexibility of the company in the bulk customer segment.
- **Exposure to Government Regulations:** Coal being a critical natural resource, there is the possibility of changes in regulations relating to mining and procurement of coal. Adhering to changing regulatory guidelines and adapting to the same remain critical concerns.

Credit Strengths:

- **Experienced management:** The Directors of the company, Mr. Prakaash Bhutoria and Mr. Arrun Bhutoria, have more than three decades of experience in the coal trading business. It is a family run business engaged in trading of iron & steel and coal. The second line joining hands as Directors in the business indicates the Company's succession plan.
- **Established relationships with key customers and diversified customer base, across different industries:** - SBCTL has an established relationships with its customers due to satisfactory track record of operations. Its diversified customer base includes customers like Spanco Metal Private Limited, PCPL Commercial Private Limited, Sesa Minerals Limited, Sarvada Marketing Private Limited, Aashi Infrastructure Private Limited etc. Also, the company has customers in diversified industries like steel, cement, power, paper, etc, thereby mitigating customer and industry concentration risk.
- **Geographically well diversified:** The Company has presence across many regions for carrying out its business. This mitigates the risk of geographic concentration. The reach is spread across West Bengal, Odisha, Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh and Uttar Pradesh.
- **Comfortable Financial risk profile:** Despite a declining topline, SBCTLs financial profile is marked by comfortable net worth, low gearing, moderate debt protection metrics and moderate profitability. The networth of the company stood at Rs.37.12 crore as on 31st March, 2019 as against Rs.36.01 crores as on 31st March, 2018, the same has improved to Rs.38.29 Crs in FY 20 provisional. The gearing of the company stood at 0.78 times in FY20 compared to 0.81 times in FY 19. Interest coverage ratio (ISCR) and debt service coverage ratio (DSCR) of the company are moderate at 1.42 times and 1.35 times respectively in FY20 as compared to 1.40 times and 1.33 times in FY19. Profitability margins have remained stable despite decline in revenue.

ANALYTICAL APPROACH :

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive triggers:

- Increase in scale of operations
- Improvement in EBITDA and Net profit Margin.
- Increase its Net Worth, improvement in the operating efficiency of the company.

**Negative triggers:**

- Further decline in Revenue & deterioration of the financial position of the company, including deterioration in liquidity
- Delay in payments of its debt obligations.

LIQUIDITY POSITION: Stretched

The liquidity position of the company stands stressed as reflected by high cash credit utilisation at 90% for the last six months ended June 2020 and elongated working capital cycle of 174 days in FY 20 due to high debtors and inventory days. However the Company presently does not have any major debt-led capex plans and long term repayment obligations, and the debt coverage indicators as well as the current ratio are acceptable. The company has also not availed the Covid 19 Relief moratorium.

About the Company

Shree Balaji Coal Traders Ltd, incorporated in 2002 by Kolkata based Late S.M. Bhutoria, is engaged in the trading of Coal, Coke, Iron & Steel and Char. It also provides services relating to transportation and handling of coal. SBCTL procures coal mainly from Coal India and its subsidiaries by participating in the e-auction process. The Company, a family run trading entity is led by Directors- Mr. Prakaash Bhutoria, Mr. Arrun Bhutoria and Mr. Lalit Kumar Bhutoria.

COMPANY FINANCIAL PERFORMANCE

The Company has reported Total Operating Income of Rs.148.47 Crs and PAT of Rs.1.11 Crs for FY19. Tangible Net-worth of the Company stood at Rs.37.12 Crs. and Total debt stood at Rs.30.20 Crs as on 31st March 2019. The debt to equity ratio stood at 0.81 times as on 31st March, 2019. The interest coverage ratio (ISCR) and debt service coverage ratio (DSCR) of the company stood at 1.40 times and 1.33 times respectively in FY19. On a provisional basis, the company reported Total operating income of ~Rs.109.45 Crs in FY.20. The Tangible net worth of the company improved to Rs.38.29 Cr as on March 31, 2020.

KEY FINANCIAL INDICATORS (In ₹ Cr):

Parameters	31-Mar-2018	31-Mar-2019	31-Mar-2020
	(Audited)	(Audited)	(Provisional)
Total Operating Income (Rs. Crores)	154.10	148.47	109.45
EBITDA (Rs. Crores)	5.36	4.86	4.93
PAT (Rs. Crores)	0.98	1.11	1.17
Tangible Net Worth (TNW) (Rs. Crores)	36.01	37.12	38.29
Total Debt : TNW (Times)	0.84	0.81	0.78
Current Ratio (Times)	1.60	1.79	1.76

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

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

S. No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilitates/ Commercial Paper etc.)	Current Rating 05.08.2020			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable						
		Type(Long Term/Short Term)	Amount Outstanding (Rs. Crores)	Rating	Date(s) & Rating(S) assigned in 2019		Date(s) & Rating(s) assigned in 2018		Date(s) & Rating(s) assigned in 2017		
1	Bank Loan Facility-Long Term	*FB-Cash Credit	30.00	BWR BB+ Stable (Downgraded)	17.06.2019			17.05.2018			
					Long Term		BWR BBB-/ Stable, Reaffirmed	Long Term		BWR BBB-/ Stable, Assigned	-----
					Fund Based Cash Credit	30.00		Fund Based Cash Credit	30.00		-
	Total		30.00	Downgraded at the same level of exposure.							

**FB- Fund Based*



COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Investor Contacts
<p>Anuradha Gupta Director- Ratings D:+91 9073918943 anuradha.g@brickworkratings.com</p> <p>Saroj K Das Ratings Analyst D : +91 90739 18940 B :+91 80 4040 9940 sarojkumar.d@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>
1-860-425-2742	

Annexure I - Shree Balaji Coal Traders Ltd.

Details of Bank Facilities rated by BWR

SLN o.	Name of the Bank	Type of Facilities	Tenure	Total [₹ Cr]
1	State Bank of India	Cash Credit	Fund Based- long term	30.00
TOTAL				30.00



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About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. 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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