



Rating Rationale

Sri Duraiappa Stores

6th Oct 2017

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of Sri Duraiappa Stores

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous August 2016	Present
Fund Based					
Open Cash Credit	7.50	8.00	Long Term	BWR B+ (Pronounced BWR single B Plus) (Outlook : Stable)	BWR B+ (Pronounced BWR single B Plus) (Outlook : Stable) Reaffirmation
Total	7.50	8.00	(INR Eight Crores Only)		

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

Rating Reaffirmation

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY16, provisional financial of FY17 and projected financial of FY18 & FY19, publicly available information and information/clarifications provided by the concern.

The rating reaffirms factors viz the extensive industry experience of the proprietor, established relationship with reputed FMCG companies and consistent growth in revenues. The ratings are, however, constrained by SDS's modest scale of operations, low net worth and high gearing, thin profit margins as trading nature of business, highly fragmented and competitive nature of the industry. Going ahead, the ability of the concern to improve its scale of operations as well as its profitability margins, reduce gearing levels and managing working capital would be the key rating sensitivities.



Rating Outlook: Stable

BWR believes that **Sri Duraiappa Stores**'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.

Key rating drivers:

Mr.Murugan has more than two decades of experience in wholesale trading business which has helped the concern in building strong customer and supplier relationships.

SDS had a net worth of Rs.2.71Cr. in FY17. Debt Equity ratio is high as 4.64 times FY17 due to reliance on working capital borrowings and mortgage loans.

Operating profit margin of the concern is 3.21% and Net profit margin is 0.78% for FY17.

SDS has a modest scale of operations as reflected by its total operating income of Rs.63.67 crore for the year FY17. The trading industry is highly fragmented because of the presence of large number of players which results in intense competition.

About the Concern

Sri Duraiappa Stores was established as proprietorship concern in 1990 by Mr.Murugan at Chennai, Tamil nadu. The firm is engaged in the business of wholesale trading of daily household products, grocery items, refined edible oils and consumer health products. It supplies products to wholesalers, retailers, hotels and hostels. The concern has three associate entities viz. Sri Duraiappa Agency , Sri Duraiappa & Co and Sri Duraiappa Enterprises which are also into similar line of business.

Sri Duraiappa stores located at Tambaram, Tamilnadu. The warehouse-and-store complex is spread over an area of 6000 sq. ft.

Concern Financial Performance

SDS has reported a profit after tax (PAT) of 0.50 crs. on Net Sales of Rs.63.67 crs.for FY17 as against profit after tax (PAT) of Rs.0.26 crs. on Net Sales of Rs.56.87 crs for FY16. Tangible net worth stood as on March 31, 2017 was Rs.2.71 crs. Debt-Equity stood at 4.64 times in FY17. Current ratio has improved to 1.85 times in FY17 from 1.19 times in FY16.



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

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	August 22, 2016	Date in 2015	Date in 2014
1	Open Cash Credit	Long Term	8.00	BWR B+ (Outlook: Stable) Reaffirmed	BWR B+ (Outlook: Stable)	NIL	NIL
	Total		8.00	INR Eight Crores only			

Status of non-cooperation with previous CRA (if applicable) –Not Applicable

Any other information: Not Applicable

Key Financials:

Particulars	FY16 Audited	FY17 Provisional
Net Revenue (Rs.Crs)	56.87	63.67
EBITDA (Rs.Crs)	1.02	2.05
PAT (Rs.Crs)	0.26	0.50
Tangible Net Worth (Rs.Crs)	1.75	2.71
Total Debt/TNW (Times)	4.06	4.64
Current Ratio (Times)	1.19	1.85



Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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.

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