Rating Rationale

Sri Kailash Traders Pvt Ltd

21 Feb 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 47.00 Crores of Sri Kailash Traders Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Aug 2016)	Present
Fund Based Overdraft	2.70	2.70	Long Term	**BWR BB** (BWR Double B) **Outlook: Stable**	**BWR D (BWR Single D)** (Downgraded)
Non-Fund Based Import/Inland LC/ Buyers Credit	44.30	44.30	Short Term	**BWR A4** (BWR A Four)	**BWR D (BWR Single D)** (Downgraded)
Total	**47.00**	**47.00**	**₹ Forty Seven Crores Only**		

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

Ratings:Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY17, publicly available information and information/clarifications provided by company's management.

The revision in ratings is mainly on account of irregularity in servicing debt obligations. The ratings also factors low interest coverage indicators, high receivables position, intense competition, nature of operations and fluctuating profitability margins. The ratings assigned are offset by experienced directors in the industry and favorable net worth.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Promoters** Mr. Narashia M Patel, is the director and has vast experience in the industry.

- **Improved Net Worth:** In FY17, company has infused additional capital of ₹ 2.00 Crores and tangible net worth of the company has been reported at ₹ 19.36 Crores as on March 31, 2017.

Credit Risks:

- **Irregular in servicing debt obligations:** During the current financial year, banker has informed that company has been irregular in servicing debt obligations.
- **High receivables position:** In FY17, 48% of total revenues were reported as receivables in FY17, out of which nearly 33% of revenues were shown in receivables exceeding more than six months. Days receivable has been reported at 176 days in FY17 as against 156 days in FY16.
- **Low interest coverage indicators:** In FY17 Company's interest service coverage has reduced to 1.11X from 1.63X in FY16.

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).

About the Company

Sri Kailash Traders Private Limited established in 2010 by Mr.Narashia M Patel and Mr. Prakash N Patel, In 2012, Mr. Prakash N Patel exited from the business and Mrs. Laxmi N Patel entered in the business. The company is involved in trading and processing of imported timber. The company's registered office is located in Pondicherry. The company majorly imports from Malaysia, Singapore Etc. and sells the timber domestically.

Company Financial Performance

As per FY17 audited financials, company has reported net revenue of Rs. 89.02 Crores as against Rs. 73.04 Crores in FY16. Operating and Net profit margins were reported at 2.70% and 0.49% in FY17. Tangible Net worth of the company as on March 31 2017 stood at Rs. 19.36 Crores . Company has reported low interest service coverage at 1.11X in FY17 as against 1.63X in FY16.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History			
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	30 Aug 2016	14 Dec 2015	30 March 2015
	Fund Based	Long Term	2.70	**BWR D** (Downgraded)	--	**BWR BB** (Outlook: Stable)	**BWR BB-** (Outlook: Stable)	**BWR B+** (Outlook: Stable)
	Non Fund Based	Short Term	44.30	**BWR D** (Downgraded)	--	**BWR A4**	**BWR A4**	**BWR A4**
	Total		**47.00**	**₹ Forty Seven Crores Only**				

Status of non cooperation with Previous CRA : Non Applicable

Any other information: Non Applicable

Key Financial Indicators

Key Parameters	Units	2016	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Crs	73.04	89.02
EBITDA	₹ Crs	2.79	2.44
PAT	₹ Crs	0.77	0.45
Tangible Net worth	₹ Crs	14.41	19.36
Total Debt/Tangible Net worth	In Times	0.28	0.22
Current Ratio	In Times	1.32	1.39

Hyperlink/Reference to applicable Criteria

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

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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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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