



## Rating Rationale

Srivenkateshwar Tradex Pvt. Ltd.

26Mar2019

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 40.00 Crores of Srivenkateshwar Tradex Pvt. Ltd..**

### Particulars:

Facility Rated	Amount** (Rs. Crs)	Tenure	Assigned rating*
<b><u>Fund Based</u></b>			
Cash Credit Limit	5.00	Long Term	<b>BWR BB-</b> (Pronounced as BWR Double B Minus ) Outlook- Stable
Proposed Cash Credit Limit	5.00		
<b><u>Non Fund Based</u></b>			
Inland/Foreign Letter of Credit	15.00	Short Term	<b>BWR A4</b> (Pronounced as BWR Single A Four)
Proposed Letter of Credit	15.00		
<b>Total</b>	<b>Rs 40.00 Crores (INR Forty Crores Rupees Only)</b>		

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

### Rating Assigned:

BWR has assigned Long Term Rating of BWR BB- (*Outlook: Stable*) and Short Term Rating of BWR A4 for the bank loan facilities of Sri Venkateshwar Tradex Private Limited. ( 'the company' )

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company's audited financial results upto FY18, Projected financials upto FY20 publicly available information and information/clarifications provided by the company's management.

The rating draws strength from the experienced promoters, Improvement in Net Profitability Margins, Diversified Product Profile, and Improvement in Revenues. However, the rating is constrained by high gearing, low debt service indicators, and competition from various organised and unorganised players. Going forward, ability of the company to improve its scale of operations, Profitability margins, and manage its gearing level at same level would be the key rating sensitivities.



## Description of Key Rating Drivers:

### Credit Strengths:

- 1. Long Experience of the Promoters in Trading Business:** Established in 2010, Sri Venkateshwar Tradex Private Limited engaged in trading of agro commodities like rice, pulses, and imports include items like timber, cloves, hardware items. The Promoters have experience of more than 10 years in the same line of business.
- 2. Improvement in Net Profitability Margins** The company net profitability margins has improves from 0.19% in FY17 to 0.44% in FY18 and further improves to 1.09% in FY19 (Projected) as advised by the management.
- 3. Diversified Product Profile :** The company has diversified product profile engaged in trading of various agro commodities like rice, pulses etc. and import include items like timber, cloves, areca nuts, and hardware items. The company is also engaged in installation of poles in different villages.
- 4. Improvement in Revenues :** The company revenues has improved by almost 15.34% in FY18 as compared to FY17. The revenues has improved from Rs 95.05 crores in FY17 to Rs 109.63 crores in FY18.

### Credit Weakness:

- 1. High Gearing :** The company has high gearing with TOL/TNW of 9.79 times and Total Debt/TNW of 3.28 times in FY18.
- 2. Low Debt Service Indicators :** The Company has Low Debt Service Indicators with Interest Service Coverage Ratio of 1.18 Times and Debt Service Coverage Ratio of 0.51 times although it has improved from 0.94 Times and Debt Service Coverage Ratio of 0.43 Times in FY17.
- 3. Competition from various organized or unorganized players :** The company operates in trading of various commodities which are fragmented industries with a high level of competition.

### Analytical Approach:

BWR has factored in the standalone business parameters and financial risk profile of the Company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.



**Support from Holding/Subsidiary Firm:**

The Company has no associate concerns.

**Liquidity**

The company has liquid investments including fixed deposits of Rs 3.96 crs and cash and bank balances were Rs 0.15 crs as on March 31 2018. Current ratio was at 1.04 times in FY18. Average working capital utilization for the six months period (May 2018 to Oct 2018) is 90-95%. The company has nil term loan. The average conversion cycle is at 7 days. The company has weak debt protection metrics as seen by ISCR & DSCR at 1.18 times and 0.51 times respectively as on March 31 2018.

**Rating Outlook: Stable**

BWR believes the Sri Venkateshwar Tradex Private Limited 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**

Sri Venkateshwar Tradex Private Limited incorporated in 2010, The company is engaged in trading of various commodities like Gold bars,Rice, teakwood logs and metal scrap. STPL’s main export includes rice pulses etc and import include items like timber, clove, areca nuts, hardware items etc. The company is managed by Mr Rahul Solanki and Mr Salender Solanki. The company also engaged in installation of electricity poles and other related works to Power Department.

**Company’s Financial Performance:**

Total operating income (TOI) of the company has improved from Rs 95.05 Cr in FY17 to Rs 109.63 Cr. in FY18. PAT has Improved from Rs 0.18 Cr in FY17 to Rs. 0.48 Cr in FY18.

**Key Financial Ratios:**

	<b>Units</b>	<b>FY18 (A)</b>	<b>FY17(A)</b>
<b>Net Sales/Revenues</b>	Rs in C r	109.63	95.05
<b>EBITDA</b>	Rs in Cr	1.30	1.18
<b>PAT</b>	Rs in Cr	0.48	0.18
<b>Tangible Net Worth</b>	Rs in Cr	4.55	4.07
<b>TOL : TNW</b>	Times	9.79	18.79
<b>Current Ratio</b>	Times	1.04	1.07



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

S.No.	Instrument/ Facility	Current Rating ( 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	<b>Fund Based</b> Cash Credit Limit	Long Term	5.00	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) Outlook- Stable	NA	NA	NA
	Proposed Cash Credit Limit		5.00				
2.	<b>Non Fund Based</b> Inland/Foreign Letter of Credit	Short Term	15.00	<b>BWR A4</b> (Pronounced as BWR Single A Four)	NA	NA	NA
	Proposed Letter of Credit		15.00				
		Total	<b>Rs 40.00 Crores (INR Forty Crores Only)</b>				

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information – NIL

**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.

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