

October 08, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	6.39	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (**read as SMERA single B minus**) to the Rs.6.39 crore long-term bank facility of Shreeji Trading Company (STC). The outlook is '**Stable**'. The rating is constrained by the firm's weak financial risk profile and working capital-intensive operations. The rating is also constrained by the firm's presence in an intensely competitive segment of the paper industry. However, the rating is supported by the firm's experienced management.

STC, established in 2011, is a Surat-based proprietorship firm engaged in trading of duplex paper. STC's weak financial risk profile is marked by high leverage (debt-to-capital ratio) of 14.45 times as on March 31, 2014. The firm's operations are working capital-intensive, with working capital cycle of 71 days and collection period of 126 days in FY2013–14 (refers to financial year, April 01 to March 31). STC's utilisation of working capital limit is high at 92 per cent during April 2014 to August 2014. The firm operates in an intensely competitive segment of the paper industry.

STC benefits from its experienced management. Mr. Vrajesh Minesh Choksi, proprietor of STC, has around ten years of experience in the paper industry.

Outlook: Stable

SMERA believes STC will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the firm achieves a healthy financial risk profile by reducing leverage through infusion of capital. The outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability in revenues, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the firm

STC, established in April 2011, is a Surat-based proprietorship firm promoted by Mr. Vrajesh Minesh Choksi. STC is engaged in trading of duplex paper (cardboard).

For FY2013–14, STC reported profit after tax (PAT) of Rs.0.27 crore on operating income of Rs.32.94 crore, as compared with PAT of Rs.0.26 crore on operating income of Rs.26.56 crore in FY2012–13. The firm's net worth stood at Rs.0.49 crore as on March 31, 2014, as compared with Rs.0.38 crore a year earlier.

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