

Press Release

Shanker International Private Limited

October 12, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 45.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 45.00 crore bank facilities of Shanker International Private Limited. The outlook is '**Stable**'.

The Haryana-based Shanker International Private Limited (the erstwhile Shanker Timber Store) was established in 1980 as a partnership firm and converted to private limited in 2013. Led by Mr. Ved Prakash Goyal and Mr. Krishan Kumar Goyal, SIPL is engaged in the trading of timber procured from Singapore, New Zealand and Malaysia.

Key Rating Drivers

Strengths

- **Experienced management**

The Haryana based SIPL, incorporated in 2013 imports and trades in timber. Mr. Ved Prakash Goyal and Mr. Krishan Kumar Goyal, Promoters have over two decades of experience in the trading of timber.

- **Healthy relations with customers and suppliers**

The company has long track record of operations which has helped establish long term relations with customers.

- **Proximity to port**

The manufacturing facilities are located at Gandhidham, Gujarat, closer to the port enabling ease of trade as the company imports timber from Singapore, Malaysia and New Zealand.

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by networth of Rs.12.57 crore as on 31 March, 2016 compared to Rs.12.46 crore as on 31 March, 2015. The gearing stood at 0.47 times as on 31 March, 2016 as against 0.50 times as on 31 March, 2015. The company has interest coverage ratio of 1.54 times for FY2015-16 and 1.70 times for FY2014-15.

Weaknesses

- **Thin profitability margins**

SIPL's profitability margins are thin due to the trading nature of business. Further, the operating margin stood at 1.85 per cent in FY2015-16 as compared to 1.67 per cent in FY2014-15. The PAT margin stood at 0.36 per cent in FY2015-16 as compared to 0.25 per cent in FY2014-15.

- **Competitive and fragmented industry**

The company is exposed to intense competition from several players in the timber industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that SIPL will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' in case of sustainable improvement in revenue and profitability profile along with improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and working capital management.

About the Rated Entity - Key Financials

For FY2015-16, SIPL registered profit after tax (PAT) of Rs.0.56 crore on operating income of Rs.156.79 crore as against profit after tax of Rs.0.37 crore on operating income of Rs. 148.14 crore in FY2014-15. The networth of the company stood at Rs.12.57 crore as on 31 March, 2016 as compared to Rs.12.46 crore as on 31 March,2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Jan-2016	Cash Credit	Long Term	INR 6	SMERA BB- / Stable
	Letter of Credit	Short Term	INR 39	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	39.00	SMERA A4+

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ABOUT SMERA

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