

Caliber Merchantile Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	10.0	SMERA BB-/Stable (Assigned)
Proposed Cash Credit	5.00	SMERA BB-/Stable (Assigned)
Proposed Bank Guarantee	2.00	SMERA A4+ (Assigned)

SMERA has assigned long-term rating of **'SMERA BB-' (read as SMERA double B minus)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs.17.00 crore bank facilities of Caliber Merchantile Private Limited (CMPL). The outlook is **'Stable'**.

The ratings derive comfort from the experienced management and its funding support. However, the ratings are constrained by the modest scale of operations in a highly competitive and fragmented coal industry. The ratings also factor in the average financial risk profile, working capital intensive operations and customer concentration risk.

CMPL, incorporated in 2014, is a Chandrapur-based company engaged in the trading of coal. The company benefits from its experienced management. Mr. Mohit Chadda, the promoter, possesses around a decades experience in coal trading. The rating also factors in the funding support received from the promoters in the form of unsecured loan to the tune of Rs.4.00 crore as on October 31, 2016. The same is subordinated to bank debt.

However, the ratings are constrained by the modest scale of operations with operating income of Rs.44.48 crore for FY2016 as against Rs.23.50 crore in the previous year and limited track record of operations in coal trading. The operations of the company are working capital intensive evident from the high gross current asset days (GCA) of 173 days for FY2015-16. However, the liquidity position of the company is comfortable with average cash credit limit utilisation of around 77 percent for the last six months ended as on 31 October, 2016.

The company has average financial risk profile marked by gearing of 4.79 times as on 31 March, 2016 as against 4.41 times in the previous year. The interest coverage ratio stood at 1.78 times for FY2015-16 and Total outside Liabilities to Tangible network worth stood at 6.58 times as on 31 March, 2016.

Further, the company derived around 70 percent of its sales in FY2015-16 from a single customer - Indo Rama Synthetics India Private Limited, exposing the company to customer concentration risk.

Rating Sensitivity Factors

- Scaling up of operations while maintaining adequate profit margins
- Effective working capital management
- Movement in gearing and coverage indicators

Outlook - Stable

SMERA believes that CMPL will maintain a stable outlook and benefit from the experience of its promoters in the coal trading business over the medium term. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenue and improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile on account of larger-than-expected working capital requirements or decline in cash accruals.

Criteria applied to arrive at the rating:

- Trading Entities

About the Company

CMPL, incorporated in 2014 is a Chandrapur (Maharashtra) based company engaged in trading of coal. The promoter, Mr. Mohit Chadda and family, possess around a decades experience in the aforementioned business.

In FY2015-16, the company reported profit after tax (PAT) of Rs.0.90 crore on operating income of Rs.44.48 crore against PAT of Rs.0.28 crore on operating income of Rs.23.50 crore in the previous year.

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ABOUT SMERA

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