

Press Release

Shalibhadra Traders

March 25, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 13.00 crore bank facilities of Shalibhadra Traders. The outlook is '**Stable**'.

The Shalibhadra group was established in 1986 by the Late Shree Govindji J Khona to trade in raw cotton bales. Currently, the operations are being led by Mr. Ravindra G Khona (son) and Mr. Priyen R Khona (grandson). The group is engaged in the trading of full pressed cotton bales in Gujarat, Maharashtra and Tamil Nadu. Shalibhadra Traders (ST) and Shalibhadra Cottrade Private Limited (SCPL) were established in 1986 and 1999 respectively while SCPI was incorporated in 1992. The group supplies cotton for making of yarn with count ranging from 20's to 60's (staple of 24 mm to 30 mm cotton).

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The group has been trading in cotton bales for the past three decades. The management includes, Mr. Ravindra G Khona, Proprietor who has more than two decades of experience in the trading of raw cotton and Mr. Priyen Khona who has experience of over a decade in the industry.

- **Moderate financial risk profile**

The risk profile of the group is moderate marked by interest coverage ratio (ICR) of 1.62 times and DSCR of 1.47 times for FY2015-16. The networth stood at Rs.17.45 cr as on March 31, 2016. Further, as per 9M FY2016-17 (Provisional) the gearing improved to 1.53 times as on December 31, 2017 with interest coverage ratio (ICR) of 3.18 times and debt service coverage ratio (DSCR) of 2.84 times from April 2016 to December 2016.

- **Well established trading network**

The group has been in the business for over three decades and has developed long lasting relations with its customers and suppliers. The products are sold across Maharashtra, Gujarat, Tamil Nadu and Punjab.

Weaknesses

- **Highly fragmented and competitive industry**

The group operates in a highly competitive and fragmented cotton industry with several organised and unorganised players.

- **Profits are susceptible to fluctuations in agro commodity prices**

The margins are highly susceptible to changes in cotton prices and fibre and the Minimum Support Price (MSP) fixed by the government. However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with suppliers as well. Any adverse

movement in cotton prices will further impact profitability.

Analytical Approach

SMERA has consolidated the financial and business profiles of Shalibhadra Traders (ST), Shalibhadra Corporation (SC) and Shalibhadra Cottrade Private Limited (SCPL) together referred to as the Shalibhadra Group. The consolidation is in view of the common ownership, similarity in the lines of business and operational linkages within the group.

Outlook: Stable

SMERA believes that ST would continue to maintain a stable outlook and benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if the company reports substantial growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profitability or higher working capital requirements deteriorating the capital structure or liquidity position of the company.

About the Rated Entity - Key Financials

For FY2015-16, the group registered profit after tax (PAT) of Rs.2.48 cr on operating income of Rs.208.99 cr as compared to PAT of Rs.1.96 cr on operating income of Rs.147.88 cr for FY2014-15. On standalone basis, ST registered PAT of Rs.1.20 cr on an operating income of Rs.91.35 cr for FY2015-16 as compared to PAT of Rs.0.90 cr on operating income of Rs.64.21 cr for FY2014-15.

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>
- Criteria For Group And Parent Support - <https://www.smera.in/criteria-group.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)

Not Applicable

***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	13.00	SMERA BB+ / Stable

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