

Press Release

Sanjay Kumar & Co Exim Limited (SKE)

13 May, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.21.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned the long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short-term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.21.00 crore bank facilities of Sanjay Kumar & Co Exim Limited (SKE). The outlook is '**Stable**'.

Sanjay Kumar & Co Exim Limited (SKE) was incorporated in 2004 by Mr. Sanjay Garg, Mr. Sameer Garg and Mr. Pawan Bansal. The company is engaged in the business of trading of timber. The company imports timber such as pinewood, teak, Malaysian Sal, and other types of wood etc. and sells in states like Delhi, Haryana and Gujarat. The company has its office in Delhi and warehouse in Gandhidham (Gujarat).

List of key rating drivers and their detailed description:

Strengths:

Experienced management: SKE was incorporated in 2004. The promoters Mr. Sanjay Garg, Mr. Sameer Garg and Mr. Pawan Bansal possess over a decade of experience in the timber industry.

Established relationship with business partners: Owing to the long standing track of operation and experienced management the company has healthy relationship with their customers and suppliers. SKE caters to Laxmi Balaji Associates, Giriraj Timber Pvt Ltd., Shiv Guru Timber to name a few based in Gujarat. The company imports from Multi Agro Impex Pte Ltd., Pacific Forest Products NZ Ltd., Pan Asia Intercontinental Pte Ltd. based in New Zealand and Singapore.

Moderate financial risk profile: The financial risk profile of the company is marked by modest debt protection measures, low networth base and comfortable gearing levels. SKE has comfortable gearing (debt-to-equity) at 0.07 times as on 31 March, 2016 against 0.20 times in FY2014-15. The interest coverage ratio is stood modest at 1.63 times in FY2015-16 against 1.53 times in FY2014-15. The financial risk profile is also supported by moderate Net Cash Accrual to Total Debt (NCA/TD) of 0.93 times in FY2016 vis-à-vis 0.29 times in FY2015 mainly on account of stable profitability metrics. The rating also factors in the increase in the Networth to Rs.5.21 cr on 31 March, 2016 (unsecured loans of Rs.1.25 crore are from promoters and are subordinated to bank debt; hence SMERA has treated them as quasi equity) as against Rs.4.96 cr on 31 March, 2015 (unsecured loans of Rs.1.24 crore are from promoters and are subordinated to bank debt; hence SMERA has treated them as quasi equity).

Weaknesses:

Decline in revenue and Susceptibility of profitability margins: The company reported a continued decline in its operating income to Rs.24.75 cr in FY2017 (Prov.) as against Rs.39.05 cr in FY2016 on account of slowdown in offtake of products as the demand of timber decreased in the domestic market. Also, the profit margins are susceptible to fluctuations in the raw material prices of timber.

Intense competition: The company faces intense competition from various players in India which is likely to impact operating performance and profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company

Applicable Criteria

- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will maintain a stable business risk profile over the medium term on the back of experienced management and established relationship with its customers and suppliers. The outlook may be revised to 'Positive' in case the company registers increased operating income, profitability margins and improved working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration of the financial risk profile or a further decline in revenues.

About the Rated Entity – Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.24 crore on operating income of Rs.39.05 crore, as compared with PAT of Rs.0.22 crore on operating income of Rs.44.52 crore in FY2014-15. The net worth stood at Rs.5.21 crore as on 31 March, 2016 (includes the quasi equity of Rs.1.25 crore) against Rs.4.96 crore (includes the quasi equity of Rs.1.24 crore) a year earlier.

Status of non-cooperation with previous CRA (if applicable): CRISIL Limited in its press release dated 24th October, 2016 had inter-alia mentioned the following: 'CRISIL has suspended its ratings on the bank facilities of Sanjay Kumar & Co. Exim Limited (SKL). The suspension of ratings is on account of non-cooperation by SKL with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, SKL is yet to provide adequate information to enable CRISIL to assess SKL's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information.'

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY 2018			FY 2017		FY 2016		FY 2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	1.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	20.00	SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	1.00	SMERA B+/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	20.00	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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