

## Press Release

### Eswari Exports Private Limited

08 May, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 15.00 Cr
<b>Long Term Rating</b>	SMERA BB-/Stable (Assigned)
<b>Short Term Rating</b>	SMERA A4 (Assigned)

*\*Refer Annexure for details*

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**) on the Rs. 15.00 crore bank facilities of 'Eswari Exports Private Limited' (EEPL). The outlook is '**Stable**'.

EEPL, Hyderabad based Company was incorporated in the year 2005 by Mr. Katragadda Ravi Kumar. The company is engaged in trading of porcelain tiles, slate, pavers, glass, metal mosaic, kitchen tops, table tops, granite blocks and slabs. EEPC imports materials mainly from Italy, China and Turkey. Of the total revenues, around 90 per cent of its revenues are by supplies to its group entity Graniti Vicentia LLC (GVLLC) based at the USA.

### List of key rating drivers and their detailed description

#### Strengths

#### Experienced management and long track record of operations

EEPL was established in the year 2005 by Mr. Katragadda Ravi Kumar and Ms. Padma Ravi. The promoters of the company have more than a decade experience in the same line of business. Further, the promoters along with others have incorporated one entity GVLLC in the USA, which is into trading of marbles and granites. About 90 per cent of EEPL's revenues are from supplies to GVLLC at arms-length transactions. GVLLC sells its products mainly through its retail showroom. SMERA believes that, EEPL will benefit from its experienced management and its group entity in improving its business risk profile.

#### Moderate financial risk profile

Financial risk profile of the EEPL is moderate marked by healthy gearing though underpinned by modest net worth and high total outside liabilities to total net worth (TOLT/NW). Gearing (debt-to-equity) is healthy at 0.70 times as on March 31, 2017. TOL/TNW (Total outside liabilities/ Total net worth) stood at 6.05 times for FY2017 as against 4.08 times for FY2016. Its net worth is modest at Rs. 7.48 crore as on March 31, 2017. At the end of FY2017, the company had working capital loans of Rs. 4.67 crore and long term loans of Rs. 0.57 crore. Debt protection metrics of interest coverage

ratio and debt service coverage ratios are moderate at 2.81 times and 2.16 times respectively for FY2017. Operations being working-capital-intensive, TOLTNW is expected to be high and debt protection metrics are expected to be moderate over the medium term.

## Weaknesses

### Customer concentration risk

The company is exposed to client concentration risk as EEPL derives 90 per cent of its revenues from its USA based group entity GVLLC. Any change in the credit risk profile of GVLLC due to reasons such as slower moment of inventory, any delinquency in respect of receivables will have an adverse impact on the operating performance and profitability of the company. The ability of the company to sustain its existing business profile and diversifying its customer base would be a key rating sensitivity.

### Decline in operating margins

Despite growth in revenues, operating margins of the company declined from 4.51 per cent in FY2015 to 3.03 per cent from FY2017 mainly on account of increase in material cost as well as foreign exchange losses.

### Working capital intensive operations

Operations of the company are working capital intensive as marked by high gross current asset (GCA) days of 158 in FY2017 and 156 days in FY2016. The same was due to high debtor days which stood at 158 days in FY2017 and 151 days in FY2016. Of the total debtors, ~87 per cent of the amount is receivable from GVLLC. High GCA resulted in full utilisation of bank lines at 100 per cent for six months through January 2018. SMERA believes that the operations of EEPL continues to be working capital intensive due to industry practice of longer credit cycle for the export receivables.

## Analytical Approach

SMERA has considered the standalone business and financial risk profiles of EEPL.

## Outlook-Stable

SMERA believes that EEPL will maintain stable outlook on account its experienced management. The outlook may be revised to 'Positive' in case of significant improvement in its revenues and profitability, while diversifying its client profile. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital cycle resulting in deterioration of its liquidity.

## About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	117.20	70.44	35.25
EBITDA	Rs. Cr.	3.55	2.46	1.59
PAT	Rs. Cr.	1.34	0.77	0.59

EBITDA Margin	(%)	3.03	3.49	4.51
PAT Margin	(%)	1.14	1.09	1.69
ROCE	(%)	28.46	23.11	33.07
Total Debt/Tangible Net Worth	Times	0.70	0.78	1.15
PBDIT/Interest	Times	2.81	2.06	2.56
Total Debt/PBDIT	Times	1.46	1.93	3.10
Gross Current Assets (Days)	Days	158	156	193

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

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

CRISIL in its rating rationale dated 01 February, 2018 has reported that, it has been consistently following up with Eswari Exports Private Limited (EEPL) for obtaining information through letters and emails dated November 15, 2017 and January 09, 2018 among others, apart from telephonic communication. However, the issuer has remained non cooperative.

### Rating History (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
Overdraft	Not Applicable	Not Applicable	Not Applicable	9.86	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.14	SMERA BB- / Stable

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### ABOUT SMERA

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