

January 28, 2015

Facilities	Amount (Rs. Crore)	Ratings
Export Packing Credit	4.50	SMERA BBB-/Stable (Assigned)
Cash Credit	0.50	SMERA BBB-/Stable (Assigned)
Foreign Bill Discount	10.00	SMERA BBB-/Stable (Assigned)
Foreign Letter of Credit	1.00	SMERA A3 (Assigned)
Bank Guarantee	2.00	SMERA A3 (Assigned)
Forward Contract	1.30	SMERA A3 (Assigned)

SMERA has assigned ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) and '**SMERA A3**' (read as **SMERA A three**) to the Rs.19.30 crore bank facilities of Sati Exports India Private Limited (SEIPL). The outlook is '**Stable**'. The ratings are supported by the company's strong revenue growth, healthy profitability and comfortable financial risk profile. The ratings are also supported by the company's established track record of operations and experienced management. However, the ratings are constrained by the company's exposure to geographical concentration risk and intense competitive pressure. The ratings are also constrained by the susceptibility of the company's profit margins to fluctuations in foreign exchange rates.

SEIPL, incorporated in 2004, is a Bangalore-based company engaged in processing and export of granite slabs. SEIPL's revenues have increased at a strong compound annual growth rate (CAGR) of ~49 per cent over the past five years. The company's healthy profitability is reflected in net profit margin of 2.53 per cent and return on capital employed (ROCE) of ~30.62 per cent in FY2013-14 (refers to financial year, April 01 to March 31). SEIPL's comfortable financial risk profile is marked by leverage (total outside liabilities to tangible net worth ratio) of 1.90 times as on March 31, 2014. The company's health coverage indicators are reflected in interest coverage ratio of 4.52 times and cash debt service coverage ratio (DCSR) of 3.42 times in FY2013-14. SEIPL benefits from its experienced management. Mr. Swastik Jalan and Mr. Pankaj Chaudhary, directors of SEIPL, have around ten years of experience in the company's line of business.

SEIPL is exposed to geographical concentration risk arising from high dependence on orders from customers in Turkey. The company's profit margins are susceptible to intense competitive pressure. SEIPL's profit margins are also exposed to foreign exchange fluctuation risk in the absence of adequate hedging mechanism.

Outlook: Stable

SMERA believes SEIPL will maintain a stable business risk profile over the medium term. The outlook on the rated facilities may be revised to 'Positive' in case the company registers sustained growth in revenues while maintaining healthy profitability and comfortable financial risk profile. The outlook may be revised to 'Negative' in case of decline in the company's profitability, or in case of deterioration in the company's financial risk profile.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the company

SEIPL, incorporated in 2004, is a Bangalore-based company promoted by Mr. Swastik Jalan and Mr. Pankaj Chaudhary. SEIPL undertakes processing and export of granite slabs. The company derives ~99 per cent of its revenue through exports to Turkey, Dubai and Egypt.

For FY2013–14, SEIPL reported profit after tax (PAT) of Rs.3.42 crore on revenues of Rs.135.14 crore, as compared with PAT of Rs.2.35 crore on revenues of Rs.101.99 crore in FY2012–13. SEIPL's net worth stood at Rs.12.89 crore as on March 31, 2014, as compared with Rs.6.99 crore a year earlier.

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