

May 04, 2016

Facilities	Amount (Rs. Crore)	Ratings
Export Packing Credit	4.50	SMERA BBB-/Stable (Reaffirmed)
Cash Credit	0.50	SMERA BBB-/Stable (Reaffirmed)
Foreign Bill Discounting	10.00	SMERA BBB-/Stable (Reaffirmed)
Fund Based (Proposed)	3.70	SMERA BBB-/Stable (Assigned)
Foreign Letter of Credit	1.00	SMERA A3 (Reaffirmed)
Bank Guarantee	2.00	SMERA A3 (Reaffirmed)
Forward Contract	1.30	SMERA A3 (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and short term rating of '**SMERA A3**' (read as SMERA A three) on the above mentioned bank facilities of Sati Exports India Private Limited (SEIPL). SMERA has also assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) to the Rs.3.70 crore proposed fund based facilities of SEIPL. The outlook is '**Stable**'.

The ratings continue to draw comfort from the company's healthy revenue growth, steady operating margins and healthy financial risk profile. The ratings also draw strength from the experienced management and established operational track record. However, the ratings are constrained by the company's exposure to intense competition in the stone processing industry and susceptibility of profit margins to forex fluctuation risk.

Update

For FY2014-15, SEIPL reported operating income of Rs.172.39 crore as against Rs.135.14 crore in FY2013-14 indicating a healthy revenue growth of ~28 per cent. SMERA expects the company to maintain its scale of operations on account of its established relations with customers and increase in export orders. SEIPL has sustained healthy operating margins that have remained in the range of 5.00 per cent to 5.60 per cent over the past three years ended FY2014-15 driven by healthy operating efficiencies.

The financial risk profile of the company continues to remain healthy with low gearing of 0.80 times as on March 31, 2015 and interest coverage ratio of 4.53 times for FY2015. The liquidity remains comfortable marked by healthy cash accruals, moderate utilisation of working capital limits and comfortable working capital cycle driven by effective working capital management.

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The profit margins of the company are susceptible to forex fluctuation risk in the absence of adequate hedging policy as around 99 per cent of the company's sales are through exports.

Outlook: Stable

SMERA believes SEIPL will maintain a stable business risk profile over the medium term on account of its experienced management and revenue growth. The outlook may be revised to 'Positive' in case the company sustains healthy growth in revenues and profitability while maintaining comfortable financial risk profile especially working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the profitability or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Forex fluctuation risk
- Maintaining operating profit margins
- Efficient working capital management

About the Company

SEIPL, incorporated in 2004, is a Bangalore-based company promoted by Mr. Swatik Jalana and Mr. Pankaj Chaudhary. The company undertakes processing and export of granite slabs and caters to customers in Turkey, Dubai and Egypt.

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