

Press Release

Sati Exports India Private Limited (SEIPL)

26 September, 2017



Rating Reaffirmed

Total Bank Facility Rated *	Rs.23.00 crs
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)
Short Term Rating	SMERA A3 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

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 Rs.23.00 crore bank facilities of Sati Exports India Private Limited (SEIPL). The outlook is '**Stable**'.

Analytical approach: For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of Sati Exports India Private Limited and Sati Granites India Private Limited (SGIPL). The consolidation is on account of the similarities in the lines of business and common management. The group is herein referred to as the Sati Group.

The Sati Group was incorporated in 2004 by Mr. Swastik Jalan and Mr. Pankaj Chaudhary who possess more than a decades experience in the stone processing industry. The group is engaged in the manufacturing and export of granite slabs. In addition the group is also engaged in quarrying of raw granite blocks. The group has three quarries in Andhra Pradesh.

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track record of operations

Incorporated in 2004, the Sati group is led by Mr. Sandeep Jalan, Mr. Swastik Jalan , Pankaj Choudhury and Mr. Swaroop Jalan. The group is engaged in the export of granite and quarrying. The management has over a decade of experience in the said line of business.

Locational advantage

Since the processing unit of SGIPL is located at Hosur (Tamil Nadu), one of the top granite processing districts in India, the group enjoys locational advantage. Also, it has licenses for quarrying at three quarries in Andhra Pradesh (2 in Karim Nagar and 1 in Chittor). Sati Granites India Private Limited (SGIPL) procures around 40 per cent of rough blocks from its own leased quarry and the balance from others in Andhra Pradesh, Tamil Nadu and Rajasthan. With own source of procurement from quarries in Karim Nagar and Chittor, the group depends lesser on raw material suppliers.

Healthy financial risk profile

The group's financial risk profile is above average marked by healthy net worth, debt protection metrics and moderate gearing. The net worth stood healthy at Rs.39.99 crore in FY2017 (Provisional) as against Rs 32.24 crore in FY2016. The Interest coverage ratio and the Debt service coverage ratio stood at 3.18 times and 1.85 times in FY2017 (Provisional) compared to 3.41 times and 2.13 times in FY2016

respectively. The NCA/TD is comfortable and stood at 0.22 times in FY2017 (provisional) compared to 0.19 times in FY2016. The gearing decreased and stood at 1.16 times in FY2017 (provisional) compared to 1.45 times in FY2016.

Healthy scale of operations

The scale of operations is healthy at Rs 232.64 in FY2017 (Provisional) from Rs 194.21 in FY2016. The revenue increase is mainly on account of SEIPL entering into new markets of Vietnam and Lebanon. SGIPL registered growth of 35 per cent in FY2016-17 with increase in the customer base in the US market.

Weaknesses:

Working capital intensive operations

The group's operations are working capital intensive marked by GCA days of 124 in FY2017 (Provisional) as against 131 days in FY2016. The debtors days stood at 78 in FY2017 (Provisional) compared to 79 days in FY2016 mainly on account of transit period of nearly 45 days. The group, on an average, utilises around 90 per cent of its working capital limit.

Exposure to fluctuations in forex rates

The group's profit margins are exposed to fluctuations in forex rates. The company exports 100 per cent of its sales to Europe, Middle East, USA and other countries. However, the above risk is mitigated by forward contract limit of Rs.3.08 crore.

Intense competition

The company is exposed to intense competition in the industry from other players.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook - Stable

SMERA believes that the Sati Group will maintain a Stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenues or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About The Group

Sati Group was incorporated in 2004 by Mr. by Mr. Swastik Jalan and Mr. Pankaj Chaudhary who have more than a decade's experience in the granite processing industry. The group is engaged in the manufacturing and export of granites slabs as also quarrying of raw granite blocks at its three quarries at Andhra Pradesh. The group has been exporting its processed slabs to Turkey, Lebanon, Vietnam, UK, USA and UAE for more than a decade.

About Sati Exports India Private Limited

Incorporated in 2004, SEIPL is a Bangalore-based company engaged in the processing and export of granite slabs to Turkey, Dubai, Vietnam and Lebanon. The company was promoted by Mr. Swastik Jalan and Mr. Pankaj Chaudhary who have more than a decades experience in the stone processing industry.

About Sati Granites India Private Limited

Incorporated in 2011 by Mr. Sandeep Jalan and Mr. Swastik Jalan, SGIPL is a 100 per cent export oriented undertaking. The company is engaged in the quarrying (gangsaw slabs processing/cutter slabs processing) and export of granite slabs to USA, UK, Turkey, Vietnam and UAE. SGIPL's manufacturing facility is located at Hosur, Tamil Nadu.

About the Rated Entity

For FY2017 (Provisional), the group registered net profit after tax (PAT) of Rs.5.78 crore on operating income of Rs.232.64 crore compared with PAT of Rs.5.02 crore on operating income of Rs.194.21 crore in FY2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instruments/ facilities	Term	Amount (Rs Crore)	Ratings/Outlook
04-May, 2016	Bill Discounting	Long Term	10.00	SMERA BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	0.50	SMERA BBB-/Stable (Reaffirmed)
	Export Packing Credit	Long Term	4.50	SMERA BBB-/Stable (Reaffirmed)
	Fund Based Proposed	Long Term	3.70	SMERA BBB-/Stable (Assigned)
	Letter of Credit	Short Term	1.00	SMERA A3 (Reaffirmed)
	Bank Guarantee	Short Term	2.00	SMERA A3 (Reaffirmed)
	Forward Contract	Short Term	1.30	SMERA A3 (Reaffirmed)
28 Jan, 2015	Bill Discounting	Long Term	10.00	SMERA BBB-/Stable (Assigned)
	Cash Credit	Long Term	0.50	SMERA BBB-/Stable (Assigned)
	Export Packing Credit	Long Term	4.50	SMERA BBB-/Stable (Assigned)
	Letter of Credit	Short Term	1.00	SMERA A3 (Assigned)
	Bank Guarantee	Short Term	2.00	SMERA A3 (Assigned)

	Forward Contract	Short Term	1.30	SMERA (Assigned)	A3
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***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs Crore)	Ratings/Outlook
Bill Discounting	NA	NA	NA	10.00	SMERA BBB-/Stable (Reaffirmed)
Cash Credit	NA	NA	NA	0.50	SMERA BBB-/Stable (Reaffirmed)
Packing Credit	NA	NA	NA	4.50	SMERA BBB-/Stable (Reaffirmed)
Fund Based (Proposed)	NA	NA	NA	3.70	SMERA BBB-/Stable (Reaffirmed)
Letter of Credit	NA	NA	NA	1.00	SMERA A3 (Reaffirmed)
Bank Guarantee	NA	NA	NA	2.00	SMERA A3 (Reaffirmed)
Forward Contract	NA	NA	NA	1.30	SMERA A3 (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Operations, Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Aniruddha Dhar Rating Analyst, Tel:033-66201200 Email: aniruddha.dhar@smera.in	

ABOUT SMERA

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