

Press Release

Sati Exports India Private Limited (SEIPL)



07 May, 2018

Rating Re-affirmed

Total Bank Facilities Rated*	Rs. 32.50 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has re-affirmed 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. 31.00 crore bank facilities of Sati Exports India Private Limited (SEIPL). SMERA has also assigned short-term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs 1.50 crore proposed 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 the two entities being managed by the common promoters and have same line of business. Also Sati Exports India Private Limited is holding 16.21 % of shares in Sati Granites India Private Limited. The group is herein referred to as 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 processing and export of granite slabs. The group exports its processed slabs to Turkey, Lebanon, Vietnam, United Kingdom, USA and UAE. In addition the group is also engaged in quarrying of raw granite blocks. The group has three quarries in Andhra Pradesh and Telangana.

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.

Key Rating Drivers

Strengths

Experienced management

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 processing and export of granite slabs and quarrying. The management has over a decade of experience in the said line of business.

Comfortable Financial Risk Profile

The group's financial risk profile is above average supported marked by comfortable net worth and debt protection metrics and moderate gearing. The net worth stood modest at Rs.36.43 crores in FY2017 as against Rs 30.72 crs in FY 2016 and is expected to increase due to the retention of profit. The debt protection metrics is marked comfortable by interest coverage ratio and the debt service coverage ratio stood of 3.41 times and 1.73 times in FY2017 compared to 3.41 times and 1.81 times in FY2016 respectively. The NCA/TD is comfortable and stood at 0.21 times in FY2017 compared to 0.20 times in FY2016. The gearing stood at 1.25 times in FY2017 compared to 1.47 times in FY2016, mainly on account of increase in net worth level. The debt of Rs 45.56 crs in FY 2017 consists of Rs 2.96 crs of Term Loan, Rs 1.25 crs of vehicle loans, Rs 3.17 crs of Buyers Credit, Rs 10.26 crs of unsecured loan from group companies, housing loan of Rs 1.83 crs and promoters, Rs 26.11 crs of working capital facility.

Healthy scale of operations

The scale of operations of the group is healthy at Rs 232.75 crs in FY 2017 as against Rs 194.21 crs in FY 2016. The rise in revenue mainly on account of entering in the new market of Vietnam and Lebanon for Sati Exports India Private Limited. In addition Sati Granites India Private Limited registered growth of 35 per cent in FY 2016-17 due to increase in the customer base in USA market. On consolidated basis, the group has registered ~ Rs 247 cr in FY 2017-18 (provisional).

Geographically diversified business profile

Sati group sells 100% of its product in the overseas markets and has a geographically diversified operations with business spread across USA, United Kingdom, Vietnam, Lebanon and UAE.

Weaknesses**Working capital Intensive Operations**

The group's operations are working capital intensive in nature marked by Gross Current Asset (GCA) days of 119 in FY 2017 as against 128 days in FY 2016. The debtor's days stands at 74 in FY 2017 as against 79 days in FY 2016 mainly on account of transit period of nearly 40-45 days. The inventory is generally kept at 25-40 days for the group as a whole.

The group generally utilizes around 85 per cent of its limit for Sati Granites and over 90 per cent in Sati Exports.

Exposure to forex risk

The company'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.

Competition from others players are presence in fragmented industry

The company operates in a fragmented industry and faces stiff competition from other players in the market. In addition since the business is largely depends in the export market of USA and Europe where cheap granites is available from Brazil.

Outlook: Stable

SMERA believes Sati Group will 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 working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	232.75	194.21	203.80
EBITDA	Rs. Cr.	18.03	16.49	16.02
PAT	Rs. Cr.	5.71	5.02	5.27
EBITDA Margin	(%)	7.75	8.49	7.86
PAT Margin	(%)	2.45	2.59	2.59
ROCE	(%)	18.15	17.86	28.34
Total Debt/Tangible Net Worth	Times	1.25	1.47	1.56
PBDIT/Interest	Times	3.41	3.41	3.10
Total Debt/PBDIT	Times	2.51	2.69	2.46
Gross Current Assets (Days)	Days	123	129	106

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instruments/Facilities	Term	Amount (Rs Crore)	Ratings/Outlook
26 th - Sept, 2017	Bill Discounting	Long Term	10.00	SMERA BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	0.50	SMERA BBB-/Stable (Reaffirmed)
	Packing Credit	Long Term	4.50	SMERA BBB-/Stable (Reaffirmed)
	Fund Based (Proposed)	Long Term	3.70	SMERA BBB-/Stable (Reaffirmed)
	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)
4 th May'20 16	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 th 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 A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA BBB-/Stable (Reaffirmed)
Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BBB-/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BBB-/Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A3 (Assigned)

100 % interchangeability between export packing credit and foreign bill discounting.

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ABOUT SMERA

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