

Press Release

Sati Exports India Private Limited

July 30, 2019



Rating Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs. 36.00 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long term rating of **ACUITE BBB- (read as ACUITE triple B minus)** and short term rating of **ACUITE A3 (read as ACUITE A three)** to the Rs. 36.00 Cr. bank facilities of Sati Exports India Private Limited (SEIPL). The outlook is '**Stable**'.

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 decade experience in the stone processing industry.

Incorporated in 2011 by Mr. Sandeep Jalan and Mr. Swastik Jalan, Sati Granites India Private Limited (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).

Analytical Approach

For arriving at the ratings, Acuité has consolidated the business and financial risk profiles of Sati Granites India Private Limited (SGIPL) and Sati Exports India Private Limited (SEIPL). The consolidation is on account of the two entities being managed by the common promoters and have same line of business. Also, Sati Exports India Private Limited has shareholding of 16.21% in Sati Granites India Private Limited. The group is herein referred to as Sati Group. Extent of Consolidation: Full

Key Rating Drivers

Strengths

Experienced management

Incorporated in 2004, the Sati group is led by Mr. Sandeep Jalan, Mr. Swastik Jalan, Mr. Pankaj Choudhury and Mr. Swaroop Jalan. The group is engaged in 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 financial risk profile of Sati group is comfortable marked by its modest net worth, comfortable gearing and debt protection metrics. The net worth of the group stood at Rs. 50.07 crore as on 31 March, 2019 (prov) as against Rs. 39.37 crore as on 31 March, 2018. Debt-equity stood improved at 1.20 times on 31 March, 2019 (prov) from 1.48 times as on 31 March, 2018. Sati group reported a comfortable interest coverage ratio of 3.49 times as on 31 March, 2019 (prov) as against 2.71 times as on 31 March, 2018. Net Cash accruals to Total Debt (NCA/TD) stood at 0.21 times in FY2019 (prov).

Geographically diversified business profile

The group has been in the granite processing and exports since last 15 years. The group has presence in diversified geography with business spread across Turkey, Vietnam, UAE, Oman, USA and UK among others.

Weaknesses

Working capital intensive operations

The group's operations are working capital intensive in nature marked by Gross Current Asset (GCA) of 130 days in FY 2019 (prov) as against 139 days in FY 2018. The debtor days stood at 91 in FY 2019 (prov) as against 86 in FY 2018 mainly on account of transit period of nearly 40-45 days. The inventory is generally kept for 25-40 days for the group as a whole. The group generally utilises around 90 per cent of its fund based limit.

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 partly mitigated by forward contract limit of Rs.3.08 crore.

Liquidity Position:

Sati Group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of ~ Rs.13 in FY 2018-19, while its maturing debt obligations were ~ Rs. 2 over the same period. The operations are working capital intensive in nature marked by GCA of 130 days as on 31 March, 2019 (prov) as against 139 days in the previous year. The utilisation of its fund based limit stood at ~ 90 per cent during the 12-month ended March, 2019.

Outlook: Stable

Acuité believes that Sati Group will maintain 'Stable' outlook over the medium term from the promoters' long experience in the business and its established market position. The outlook may be revised to 'Positive' if the scale of operations and profitability improves significantly, while its financial risk profile remains comfortable. Conversely, the outlook may be revised to 'Negative' if there is a significant dip in sales and profitability or the financial risk profile deteriorates due to higher than expected stretch in working capital cycle.

About the Group:

The Sati Group was incorporated in 2004 by Mr. Swastik Jalan and Mr. Pankaj Chaudhary who possess more than a decade 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 the Rated Entity - Key Financials

	Unit	FY19 (Prov)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	264.76	248.82	232.75
EBITDA	Rs. Cr.	20.55	14.08	18.03
PAT	Rs. Cr.	7.26	2.94	5.71
EBITDA Margin	(%)	7.76	5.66	7.75
PAT Margin	(%)	2.74	1.18	2.45
ROCE	(%)	14.98	11.51	18.32
Total Debt/Tangible Net Worth	Times	1.20	1.48	1.31
PBDIT/Interest	Times	3.49	2.71	3.41
Total Debt/PBDIT	Times	2.86	4.07	2.51
Gross Current Assets (Days)	Days	130	139	123

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities-<https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of Companies-<https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-May-2018	Bill Discounting	Long Term	18.00	ACUITE BBB-/Stable (Reaffirmed)
	Export Packing Credit	Long Term	12.00	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	1.00	ACUITE BBB-/Stable (Reaffirmed)
	Proposed	Short Term	1.50	ACUITE A3 (Assigned)
26-Sep-2017	Bill Discounting	Long Term	10.00	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	0.50	ACUITE BBB-/Stable (Reaffirmed)
	Export Packing Credit	Long Term	4.50	ACUITE BBB-/Stable (Reaffirmed)
	Fund Based Proposed	Long Term	3.70	ACUITE BBB-/Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Forward Contract	Short Term	1.30	ACUITE A3 (Reaffirmed)
04-May-2016	Bill Discounting	Long Term	10.00	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	0.50	ACUITE BBB-/Stable (Reaffirmed)
	Export Packing Credit	Long Term	4.50	ACUITE BBB-/Stable (Reaffirmed)
	Fund Based Proposed	Long Term	3.70	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)

	Forward Contract	Short Term	1.30	ACUITE A3 (Reaffirmed)
28-Jan-2015	Bill Discounting	Long Term	10.00	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	0.50	ACUITE BBB-/Stable (Assigned)
	Export Packing Credit	Long Term	4.50	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Forward Contract	Short Term	1.30	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB-/Stable (Reaffirmed)
Foreign Bill Discounting	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB-/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB-/Stable (Withdrawn)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3 (Withdrawn)

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About Acuité Ratings & Research:

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