



SMERA RATINGS LIMITED

Suyash Mart Private Limited (SMPL)

Rating Rationale

April 27, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan	10.84	SMERA B/Stable (Assigned)
Cash Credit	4.35	SMERA B/Stable (Assigned)
Term Loan (proposed)	2.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B' (read as SMERA single B)**' to the Rs.17.19 crore bank facilities of Suyash Mart Private Limited (SMPL). The outlook is '**Stable**'. The rating is constrained by the company's weak financial risk profile, modest-scale operations and working capital-intensive business. However, the rating derives comfort from the company's experienced management and established brand image.

SMPL, established in 2002, is a Pune-based company engaged in retailing of lifestyle products for children. SMPL operates six retail outlets under the name of 'BONSAI'. The company's weak financial profile is reflected in high gearing (debt-equity ratio) of 7.15 times as on March 31, 2014 and low interest coverage ratio of 1.38 times in FY2013-14 (refers to financial year, April 01 to March 31). SMPL's total debt of Rs.15.95 crore (as on March 31, 2014) includes unsecured loans of Rs.5.00 crore. SMERA has treated such unsecured loans as neither debt nor equity. SMPL's net worth is low at Rs.2.28 crore as on March 31, 2014. The company has given advances of Rs.3.63 crore to its related parties. SMPL has modest-scale operations with total operating income of Rs.21.78 crore in FY2013-14. The company's business is working capital-intensive on account of high inventory level (111 days in FY2013-14).

SMPL benefits from its experienced management. The directors of the company have around three decades of experience in the retail industry. SMPL also benefits from its established brand image.

Rating sensitivity factor

- Timely financial support from promoters for servicing of debt obligations.

Outlook: Stable

SMERA believes SMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established operations. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while achieving sustained improvement in profitability, liquidity position and financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position.

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**About the company**

SMPL was established in 2002 as Suyash Enterprises. The firm was reconstituted as a private limited company in March 2011. SMPL is engaged in retailing of lifestyle products for children. The company has six retail outlets (two in Pune, three in Nagpur, and one in Raipur) that operate under the name of 'BONSAI'. In 2014, SMPL acquired franchise of 'FIREFOX' bicycles. The company has recently started retailing bicycles under its own outlets named 'PSYCHOLOGY'.

For FY2013-14, SMPL reported profit after tax of Rs.0.26 crore on operating income of Rs.21.78 crore, as compared with profit after tax of Rs.0.45 crore on operating income of Rs.19.42 crore in FY2012-13. The company's net worth stood at Rs.2.28 crore as on March 31, 2014, as compared with Rs.1.66 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 98208 02479 Email: antony.jose@smera.in	Vinay Chhawchharia Manager – Criteria Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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