

July 17, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.10	SMERA BB-/Stable (Assigned)
Export Packing Credit	4.50	SMERA BB-/Stable (Assigned)
Cash Credit	5.50	SMERA BB-/Stable (Assigned)
Secured Overdraft	2.14	SMERA BB-/Stable (Assigned)
Letter of Credit	2.50*	SMERA A4+ (Assigned)
Proposed Cash Credit	3.26	SMERA BB-/Stable (Assigned)

*Includes sub-limit of Bank Guarantee to the extent of Rs.1.00 crore

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.18.00 crore bank facilities (including Rs.3.26 crore proposed) of Brilliant International LLP (BIL). The outlook is '**Stable**'. The rating is supported by the company's long operational track record and experienced management. The rating also factors in BIL's diversified sale points and comfortable revenue growth. However, the rating is constrained by the intense competition in the consumer durable industry, foreign exchange fluctuation risk and stretched working capital cycle.

BIL, established in 1992, is engaged in the manufacturing and trading of electronic and household products. The company is promoted by Mr. Ram Chainani who has more than two decades of experience in the business. BIL sells its products online, through tele shopping and also caters to institutional customers such as STAR CJ, Naptol and Shopping Zone. The company exports its products to the Middle East, Europe, UK and America with exports constituting around 43 per cent of the company's sales. The company's revenues have grown at a compounded annual growth rate (CAGR) of 35 per cent from FY2011-12 (refers to financial year, April 01 to March 31) to FY2013-14.

However, the consumer durable industry is characterised by intense competition. Also, BIL's profit margins are exposed to foreign exchange fluctuation risk due to the absence of any hedging mechanism. The company's operations are working-capital-intensive, as reflected in its gross current assets of around 238 days as on March 31, 2014 because of the high debtor days of 102 and inventory days of 106.

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Outlook: Stable

SMERA believes that BIL will continue to benefit over the medium term owing to the partner's extensive industry experience and established relations with customers. The outlook may be revised to 'Positive' if the firm registers substantial increase in profitability margins with a healthy revenue growth and enhanced net worth on the back of capital additions from its partners. Conversely, the outlook may be revised to 'Negative' if BIL registers a steep decline in the profitability margin or deterioration in the capital structure on account of larger-than-expected working capital requirements.

About the Company

BIL (the erstwhile partnership firm) established in 1992 by Mr. Ram Chainani and his son Mr. Bipin Chainani was later converted to limited liability partnership in 2014. The firm manufactures and trades in electronic and household products such as door bells, switches, distribution boxes among others apart from sarees and imitation jewellery.

BIL reported profit after tax (PAT) of Rs.0.77 crore (provisional) on operating income of Rs.38.73 crore (provisional) for FY2014-15, as compared with PAT of Rs.0.67 crore on operating income of Rs.23.74 crore in FY2013-14. The company's net worth stood at Rs.9.70 crore as on March 31, 2015, as compared with Rs.8.93 crore a year earlier.

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