

Sahana Jewellery Exports Private Limited: Assigned

Facility	Amount (Rs Crore)	Rating/Outlook
Cash Credit	14.00*	SMERA B+/Stable (Assigned)

*Sublimit EPC/PCFC/EBR of Rs.4.00 crore. Metal Gold Loan of Rs.10.00 crore. Credit Exposure Limit of Rs.2.30 crore.

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.14.00 crore bank facility of Sahana Jewellery Exports Private Limited (SJEPL). The outlook is '**Stable**'. The rating is constrained by the fluctuating revenue trend, thin profitability and below average financial risk profile. The rating is further constrained by the changing government regulations, volatile gold prices and highly competitive industry. However the rating is supported by the experienced management and long track record of operations.

The Coimbatore-based SJEPL, established in 1993, is engaged in the manufacture of gold jewellery. The company has fluctuating revenue trend with fall in revenue in FY2014-15 to Rs.70.71 crore from Rs.117.88 crore mainly on account of reduction in exports. Further, in FY2015-16 (provisional) the company earned revenue of Rs.104.39 crore. The operating margins stood low at around 1.17 per cent in FY2015-16 (provisional).

SJEPL has below average financial risk profile. The overall gearing stands high at around 2.12 times as on March 31, 2016 (provisional). The interest coverage ratio is low at 1.67 times in FY2015-16 (provisional). The average cash credit utilisation limit was high at around 99 per cent from January, 2016 to June, 2016. The company is exposed to volatile gold prices and intense competition in the industry. Further the company is also susceptible to changes in government regulations.

However the company benefits from its experienced management. The promoter, Mr DR Ragunath, possesses experience of around 45 years in a similar industry.

Rating Sensitivity Factors

- Scaling up operations and improving profitability
- Improvement in capital structure
- Efficient working capital management

Outlook-Stable

SMERA believes SJEPL will maintain a stable outlook and benefit over the medium term from the extensive experience of its management. The outlook may be revised to 'Positive' in case of substantial increase in revenue and profitability with improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or stretch in the working capital cycle weakening the financial risk profile, particularly liquidity.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

SJEPL was incorporated in 1993 by Mr. D R Ragunath and his wife, Mrs. D R Anandha Lakshmi to manufacture gold jewellery. The day-to-day operations are managed by Mr. D R Koushik and Mr. D R Ragunath.

For FY2015-16 (provisional), SJEPL reported profit after tax (PAT) of Rs.0.44 crore on operating income of Rs.104.39 crore as compared with profit after tax (PAT) of Rs.0.33 crore on operating income of Rs.70.71 crore in FY2014-15.

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ABOUT SMERA

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