

Press Release**SAHANA JEWELLERY EXPORTS PRIVATE LIMITED**

November 23, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

** Refer Annexure for details***Rating Rationale**

SMERA has reaffirmed long-term rating of '**SMERA B+ (read as SMERA B plus)**' on the Rs. 14.00 crore bank facilities of SAHANA JEWELLERY EXPORTS PRIVATE LIMITED. The outlook is '**Stable**'.

Sahana Jewellery Exports Private Limited (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 led by Mr. D.R. Koushik and Mr. D.R. Ragunath. The manufacturing unit is located at Coimbatore.

Key Rating Drivers**Strengths****• Experienced management and long track record of operations**

The company was established in 1993. Mr. D.R. Ragunath (Director), has experience of more than four decades while Mr. D.R. Koushik (Director) possesses experience of over a decade in the gems and jewellery industry. The promoters have been able to forge long term relations with customers and suppliers.

• Comfortable working capital

SJEPL has comfortable working capital marked by Gross Current Asset (GCA) days of 27 for FY2016-17 (Provisional) compared to 113 for FY2015-16. This is mainly on account of decrease in debtor days from 102 in FY2015-16 to 9 in FY2016-17 (Provisional). The creditor days stood comfortable at 2 in FY2016-17 (Provisional) as against 42 in FY2015-16. Further, the working capital was comfortable with ~70 per cent utilisation for the past six months ended August, 2017.

Weaknesses**• Moderate financial risk profile with thin profitability**

The financial risk profile of SJEPL is moderate marked by net worth of Rs.6.61 crore as on 31 March, 2017 (Provisional) compared to Rs.6.41 crore as on 31 March, 2016. The gearing stood at 1.79 times as on 31 March, 2017 (Provisional) as against 2.19 times in the previous year. The total debt of Rs.11.86 crore on 31 March, 2017 (Provisional) comprises only short term working capital facility. The interest coverage ratio stood at 1.18 times for FY2016-17 (Provisional) compared to 1.38 times for FY2015-16. The EBIDTA margin stood thin at 0.79 per cent for FY2016-17 (Provisional) as against 0.87 per cent for FY2015-16. The PAT margins also stood thin at 0.09 per cent for FY2016-17 (Provisional) and 0.17 per cent for FY2015-16. Further, SMERA believes that the financial risk profile will remain healthy in the absence of major debt funded capex plan.

• Susceptibility of profit margins to volatility in the prices of gold, forex fluctuation risk

The profitability is exposed to fluctuations in the prices of gold. However, SJEPL partially mitigates this risk by maintaining inventory on the prevailing prices in the market and by purchasing gold on a daily basis equivalent to the quantity sold. The company is also exposed to forex fluctuation risk since it imports and exports around 20 per cent of its total purchase and sales respectively.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of SJEPL.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in profit margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins or deterioration in the capital structure on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

SJEPL reported Profit after Tax (PAT) of Rs. 0.19 crore on net sales of Rs. 218.55 crore in FY2017 (Provisional) as against PAT of Rs. 0.18 crore on net sales of Rs. 104.66 crore in FY2016. The net worth stood at Rs.6.61 crore as on 31 March, 2017 (Provisional) compared to Rs. 6.41 crore as on 31 March, 2016.

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>
- Trading Entities - <https://www.smera.in/criteria-trading.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 Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Aug-2016	Cash Credit	Long Term	INR 14	SMERA B+ / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA B+ / Stable

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ABOUT SMERA

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