

Press Release

Sahana Jewellery Exports Private Limited

January 18, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE 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.

Analytical Approach

Acuite has considered standalone business and financial risk profile of SJEPL to arrive at the rating.

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.

- **Moderate working capital**

SJEPL has moderate working capital marked by Gross Current Asset (GCA) days of 125 for FY2018 compared to 25 for FY2017. This is mainly on account of increase in debtor days from 25 in FY2017 to 93 in FY2018. The debtors have increase as the company has stopped refining business. The inventory levels are comfortable at 22 days for FY2018.

Weaknesses

- **Moderate financial risk profile with thin profitability**

The financial risk profile of SJEPL is moderate marked by tangible net worth of Rs.6.57 crore as on 31 March, 2018 compared to Rs.6.54 crore as on 31 March, 2017. The gearing stood at 1.73 times as on 31 March, 2018 as against 1.81 times in the previous year. The total debt of Rs.11.33 crore on 31 March, 2018 comprises only short term working capital facility. The interest coverage ratio stood at 1.14 times for FY2018 compared to 1.12 times for FY2017. The EBITDA margin stood thin at 1.84 per cent for FY2018 as against 0.71 per cent for FY2017. The PAT margins also stood thin at 0.17 per cent for FY2018 and 0.06 per cent for FY2017. Further, Acuite believes that the financial risk profile will remain moderate 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.

Outlook: Stable

Acuite 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	49.93	228.80	104.66
EBITDA	Rs. Cr.	0.92	1.63	0.91
PAT	Rs. Cr.	0.08	0.13	0.18
EBITDA Margin	(%)	1.84	0.71	0.87
PAT Margin	(%)	0.17	0.06	0.17
ROCE	(%)	4.99	8.26	4.34
Total Debt/Tangible Net Worth	Times	1.73	1.81	2.19
PBDIT/Interest	Times	1.14	1.12	1.38
Total Debt/PBDIT	Times	12.13	7.25	15.33
Gross Current Assets (Days)	Days	125	26	113

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
23-Nov-2017	Cash Credit	Long Term	INR 14	ACUITE B+ / Stable (Reaffirmed)
03-Aug-2016	Cash Credit	Long Term	INR 14	ACUITE B+ / Stable (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE B+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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