

Press Release

Jeyachandran Industries Private Limited (JIPL)

February 18, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 55.00 Cr
Long Term Rating	SMERA BBB+/Stable

**Refer Annexure for details*

SMERA has assigned long term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) on the Rs.55.00 crore bank facilities of Jeyachandran Industries Private Limited (JIPL). The outlook is '**Stable**'.

JIPL, a Chennai based company, is a retailer of gold jewellery, textiles, home appliances and furniture.

List of key rating drivers and their detailed description

Strengths

Experienced management: Mr. S. Jeyachandran, the proprietor, possesses experience of over four decades in the trading of textiles and gold jewellery.

Comfortable financial risk profile: The company has comfortable financial risk profile with healthy networth base of Rs.151.21 crore as on 31 March 2016. The total debt of Rs.51.36 crore mainly consists of short term debt of Rs.40.72 crore and unsecured loan from relatives and friends of Rs.2.75 crore, thus providing a comfortable capital structure with gearing of around 0.29 times as on 31 March, 2016. The TOL/ TNW ratio also stood comfortable at 0.55 times as on 31 March, 2016.

The company generated net cash accruals of Rs.15.20 crore for FY2016 as against Rs. 12.77 crore for FY2015. The debt protection metrics of the company are comfortable with NCATD (Net cash accruals to Total Debt) of 0.30 times for FY2016 (0.33 times in FY2015). The interest coverage also stood comfortable at 5.47 times in FY2016.

The company is setting up a showroom for the textiles division at a project cost of around Rs.20 crore to be funded through a term loan of Rs.10.00 crore and the rest through promoter's contribution. The showroom (around 60,000 sq.ft) is expected to be functional from October, 2017.

SMERA believes that the financial risk profile will continue to remain strong on the back of healthy cash accruals from operations and conservatively geared capital structure.

Comfortable liquidity position: JIPL has maintained a comfortable liquidity profile. This is reflected in the significant buffer in the working capital limits since the company has utilised only ~50 per cent of its sanctioned limit on an average. The company has debt repayment of ~Rs. 0.42 crore in FY2017 and the same is likely to be met with accruals which are expected to be more than Rs.15.00 crore. Further, though the company plans to avail of term loan of Rs.10.00 crore, the net cash accruals generated every year will be sufficient to repay the same. The company also has unencumbered cash and bank balance of Rs.10.03 crore as on 31 March, 2016.

Weaknesses

Geographical concentration risk and intense market competition: The company already has six retail stores of 15,000 square feet each located at T. Nagar and Tambaram in Chennai. The operating performance of the company is linked to local demand which in turn is influenced by the level of economic activity in and around Chennai. In FY2016, the company derived around ~55 per cent revenue from gold jewellery. The entry of regional and national jewellery players in Chennai is expected to intensify the competitive landscape for existing players like JIPL. The non-jewellery segment which accounted for ~ 45 per cent of the revenue in FY2016 also faces stiff competition from local players which limits the company's ability to increase revenues significantly while maintaining its margins.

The credit profile of the company, over the medium term, will continue to be impacted by the geographical concentration of its stores in and around Chennai coupled with increasing competition from other players.

Susceptibility to volatility in gold prices: The margins are susceptible to raw material price fluctuations mainly in gold which accounts for around ~55 per cent of the total revenue.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that JIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and long standing presence. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving healthy profit margins and comfortable liquidity position. The outlook may be revised to 'Negative' in case of decline in revenues or profitability and deterioration in the financial risk profile.

About the Rated Entity

Jeyachandran Industries Private Limited (the erstwhile Siddharth Builders Limited) was incorporated in 1980 and renamed in 2011. The company took over the existing business of Jeyachandran Textiles and Jeyachandran Gold House (proprietorship concerns of Mr. S. Jeyachandran) and Jeyachandran Vessels and Furniture (a proprietorship concern of Mr. J. Sundaralingam) in 2011. In March 2015, the constitution was changed to private limited company.

The company is a retailer for gold jewellery and textiles (mainly readymade garments) and also sells home appliances and furniture.

The company has four showrooms for textiles and two for gold jewellery.

For FY2015-16, JIPL reported profit after tax (PAT) of Rs.13.74 crore on operating income of Rs.571.94 crore, as compared to net profit of Rs.11.25 crore on operating income of Rs.548.93 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	55.00	SMERA BBB+/Stable (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	NA	NA	NA	55.00	SMERA BBB+/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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