

Press Release

Jeyachandran Industries Private Limited (JIPL)

19 January, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 80.00 Cr. (Enhanced from Rs.70.00 crore)
Long Term Rating	SMERA BBB+/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB+** (read as SMERA triple B plus) on the Rs. 70.00 crore bank facilities and assigned long term rating of '**SMERA BBB+** (read as SMERA triple B plus) on the Rs. 10.00 crore bank facilities of Jeyachandran Industries Private Limited (JIPL). The outlook is '**Stable**'.

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, Jeyachandran Gold House (proprietorship concerns of Mr. S. Jeyachandran) and Jeyachandran Vessels and Furniture (proprietorship concern of Mr. J. Sundaralingam) in 2011. In March 2015, the constitution was changed to private limited.

The company is a retailer of gold jewellery, textiles (mainly readymade garments) and also sells home appliances and furniture. JIPL has five showrooms for textiles and two for gold jewellery.

Key rating drivers

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 healthy networth base of Rs.171.25 crore as on 31 March, 2017 compared to Rs.151.21 crore in the previous year. The gearing stood comfortable at 0.36 times as on 31 March, 2017. The total debt of Rs.62.42 crore mainly consists of short term debt from banks of Rs.32.78 crore, term loan of Rs.10.17 crore and unsecured loan from relatives and friends of Rs.19.47 crore. The TOL/TNW ratio also stood comfortable at 0.62 times as on 31 March, 2017.

The company generated net cash accruals of Rs.21.97 crore for FY2017 as against Rs. 15.20 crore for FY2016. The debt protection metrics are comfortable with NCATD (Net cash accruals to Total Debt) of 0.35 times for FY2016 (0.30 times in FY2016). The Interest Coverage also stood comfortable at 5.86 times in FY2017.

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 reflected in the buffer in the working capital limits since the company has utilised ~87 per cent of its sanctioned limit on an average during June to November, 2017. The company has debt repayment of ~Rs. 3.92 crore in FY2018 and the same is likely to be met with accruals which are expected to be more than ~Rs.25.00 crore. The company also has unencumbered cash and bank balance of Rs.5.27 crore as on 31 March, 2017.

Weaknesses

Geographical concentration risk and intense market competition: The company already has six retail stores at T. Nagar and Tambaran in Chennai and has also set up a new store in Pallikarnai. 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 FY2017, 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 also faces stiff competition from local players which would limit the company's ability to increase revenues significantly while maintaining 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 raw material prices: The margins are susceptible to fluctuations in raw material prices of gold. Gold accounted for around ~55 per cent of the total revenue in FY2017.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	520.29	571.94	548.93
EBITDA	Rs. Cr.	39.17	27.14	26.64
PAT	Rs. Cr.	20.49	13.74	11.25
EBITDA Margin	(%)	7.53	4.75	4.85
PAT Margin	(%)	3.94	2.40	2.05
ROCE	(%)	17.40	13.58	29.30
Total Debt/Tangible Net Worth	Times	0.36	0.34	0.28
PBDIT/Interest	Times	5.86	5.47	5.02
Total Debt/PBDIT	Times	1.56	1.86	1.42
Gross Current Assets (Days)	Days	138	115	114

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

Any other information: Not Applicable

Outlook – Stable

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

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): CRISIL Ratings in its press release dated October 31, 2017 inter alia has stated the following: 'Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of JIPL. This restricts CRISIL's ability to take a forward looking view on the credit quality of the entity. CRISIL believes that the information available for Linit group is consistent with 'Scenario 1' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BB Rating category or lower.' Based on the last available information, CRISIL has downgraded the rating to 'CRISIL BB+/Stable' from 'CRISIL BBB/Stable'.'

Rating History (Upto last three years):

Date	Name of Instruments	Term	Amount (Rs. Crore)	Ratings/Outlook
18 Feb 2017	Cash Credit - I	Long Term	55.00	SMERA BBB+/Stable (Assigned)
12 Jan 2018	Cash Credit - I	Long Term	55.00	SMERA BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	15.00	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 - I	NA	NA	NA	55.00	SMERA BBB+/Stable (Reaffirmed)
Term Loan	NA	NA	NA	15.00	SMERA BBB+/Stable (Reaffirmed)
Cash Credit - II	NA	NA	NA	10.00	SMERA BBB+/Stable (Assigned)

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ABOUT SMERA

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