

Press Release

09 March, 2017

Mahalasa Silver Shoppy Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs. 6.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as SMERA B) on the Rs. 6.00 crore bank facilities of Mahalasa Silver Shoppy Private Limited. The outlook is '**Stable**'.

Mahalasa Silver Shoppy Private Limited (MSSPL), incorporated in 2005 is a Chennai-based company promoted by Mr. Umesh V Chikkamath and family. The company is engaged in the wholesale trading of gold and silver ornaments at Karnataka.

Key Rating Drivers

Strengths

- **Moderate track record of operations**

The company has moderate track record of operations and experienced management.

- **Modest scale of operations**

The scale of operations of MSSPL is modest with operating income of Rs.212.07 cr in FY2016 compared to Rs.232.26 cr in FY2015. The marginal decline in revenue is due to fewer orders.

Weaknesses

- **Low profitability**

MSSPL's profit margins are low due to the trading nature of business. The operating margin stood low at 0.42 percent in FY2016 as against 0.40 percent in FY2015. The net margin stood thin at 0.06 percent in FY2016 over 0.13 percent in FY2015. The RoCE stood moderate at 15.93 percent in FY2016, a decline from 20.80 percent in FY2015.

- **Weak financial risk profile**

MSSPL has below average financial risk profile marked by low net worth of Rs.0.97 cr and gearing of 4.83 times as on March 31, 2016. The net worth stood at Rs.0.86 cr and gearing at 5.39 times as on March 31, 2015. The Interest coverage ratio (ICR) and DSCR stood at 1.30 and 1.21 times respectively in FY2016. Further, the TOL/TNW levels were high at 5.10 times and 5.68 times in FY2016 and FY2015 respectively.

- **Profit margins are susceptible to volatility in metal prices**

Fluctuation in metal prices of gold and silver can affect the profitability of the company.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company.

Outlook: Stable

SMERA believes that MSSPL will maintain a Stable outlook over the medium term owing to its moderate operational track record and experienced management. The outlook may be revised to 'Positive' in case the company reports healthy growth in revenues and profit margins or improved financial risk profile. Conversely the outlook may be revised to 'Negative' in case of decline in revenue and profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

In FY2015-16, MSSPL reported profit after tax (PAT) of Rs. 0.13 cr on operating income of Rs. 212.07 cr as against PAT of Rs. 0.30 cr on operating income of Rs. 232.26 cr in the previous year. The net worth stood at Rs. 0.97 cr as on March 31, 2016 against Rs. 0.86 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	6.00	SMERA B / Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Sudarson Swami Rating Analyst Tel: 022-67141179 sudarson.swami@smera.in	

ABOUT SMERA

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