

## Press Release

09 March, 2017

### Mahalasa Silver Shoppy Private Limited

#### Rating Assigned

<b>Total Bank Facilities Rated *</b>	Rs. 6.00 Cr.
<b>Long Term Rating</b>	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.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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)**

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: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Sudarson Swami Rating Analyst Tel: 022-67141179 <a href="mailto:sudarson.swami@smera.in">sudarson.swami@smera.in</a>	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

**ABOUT SMERA**

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.