

Press Release

Extent Services Private Limited

May 18, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 17.87 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 17.87 crore bank facilities of Extent Services Private Limited. The outlook is '**Stable**'.

Incorporated in 2012, Extent Services Private Limited (ESPL), a partnership firm is engaged in the retail of gold and diamond jewellery of Senco Gold Limited. The firm is an authorised dealer of Senco Gold Limited and sells its products through outlets in Arambagh and Kalna, West Bengal. The firm is led by Mrs. Sima Sarkar and Mr. Arindam Gupta of Extent D Services (EDS), a partnership firm established in February 2011. ESPL has taken over EDS from April 1, 2017. Considering the common management and similarities in the lines of business, SMERA has consolidated the business and financial risk profiles of EDS and ESPL.

Key Rating Drivers

Strengths

- **Experienced management**

ESPL is engaged in the trading of gold and diamond jewellery. The promoters, Mr. Arindam Gupta and Mrs. Sima Sarkar have been in the said line of business since 2011. They also own Extent D Services (EDS), a partnership firm with the same business model and management.

- **Modest scale of operations**

The scale of operations is modest marked by consolidated operating income of Rs.47.18 cr and Rs.48.99 cr in FY2016 and FY2015 respectively. The consolidated revenue stood at around Rs.50 cr in FY2017 (provisional).

Weaknesses

- **Moderate financial risk profile**

The moderate financial risk profile is marked by high gearing, low net worth and moderate debt protection metrics. The gearing is high at 4.01 times and 4.12 times in FY2016 and FY2015 respectively. The total debt of around Rs.12.69 cr mainly comprises cash credit from bank of around Rs.11.05 cr. The net worth base is low at Rs.3.16 cr as on 31st March, 2016. The interest coverage and debt service coverage ratios stood at 1.46 times and 1.36 times respectively in FY2016 and 1.97 times and 1.87 times respectively in FY2015.

- **Working capital intensive operations**

ESPL's working capital intensive operations is marked by high gross current asset (GCA) days of 144 days and 107 days in FY2016 and FY2015 respectively. Such high GCA days is mainly due to high inventory days marked by 139 days and 100 days in FY2016 and FY2015 respectively. This is

because of the optimum inventory that needs to be maintained at retail outlets. The debtors, however, are comfortable at Nil in FY2016 and 1 day in FY2015 as against creditors of 19 days and 3 days in FY2016 and FY2015 respectively.

• Thin margins

The thin margins are marked by EBITDA of 4.52 percent in FY2016 compared to 4.88 percent in FY2015. Also, the PAT has been low at 0.82 percent in FY2016 compared to 1.97 percent in FY2015. The overall margins have registered a decline mainly due to increase in raw material and interest costs during the past three years.

Analytical Approach

SMERA has consolidated the business and financial risk profiles of Extent Services Private Limited (ESPL) and Extent D Services (EDS). The consolidation is in view of the common management and similarity in the lines of business and the fact that EDS is being merged with ESPL with effect from April 1, 2017.

Outlook: Stable

SMERA believes that ESPL will maintain a stable outlook in the medium term while benefitting from its experienced management. The outlook may be revised to 'Positive' if ESPL scales up operations while improving profitability along with improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower -than-expected growth in revenues or if the working capital cycle deteriorates.

About the Rated Entity - Key Financials

For FY2016, ESPL reported profit after tax (PAT) of Rs.0.39 cr on total operating income of Rs.47.18 cr, as compared with PAT of Rs.0.96 cr on total operating income of Rs.48.99 cr in FY2015. The tangible net worth stood at Rs.3.16 cr in FY2016 as compared to Rs.2.78 cr in FY2015.

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	9.50	SMERA BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.80	SMERA BB- / Stable

Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.37	SMERA A4+
Proposed Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.20	SMERA A4+

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ABOUT SMERA

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