

Press Release

SOLAIMALAI ENTERPRISES (SE)

February 15. 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERABB+**' (read as **SMERA BB plus**) on the Rs.60.00 crore bank facilities of SOLAIMALAI ENTERPRISES. The outlook is '**Stable**'.

Solaimalai Enterprise (SE) was incorporated in 1995 by Mr. P Pitchai, Mr. SP Anand, Mr. SP Arvind and Mr. P Kalavathy. The company is a distributor of Procter & Gamble in Madurai, Tamil Nadu. The company's registered office is in Madurai, Tamil Nadu.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations.**

The partners of the company Mr. P Pitchai, Mr. SP Anand, Mr. SP Arvind and Mr. P Kalavathy have an experience of more than two decades in the distribution of FMCG. This has enabled the entity in establishing long standing relationships with its customers and supplier.

- Average financial risk profile.**

The financial risk profile of the company is marked by healthy networth, high gearing and modest debt protection measures. The networth of the firm improved to Rs.35.81 crore in FY2017 as compared to Rs.20.27 crore in FY2016, mainly on account of retention of profit and infusion of fresh equity of Rs.5.44 crore in FY2017. The gearing levels of the firm stood high at 2.45 times in FY2017 as against 2.99 times in FY2016. The interest coverage ratio (ICR) stands moderate at 1.51 times in FY2017 and debt service coverage ratio (DSCR) stands at 1.37 times in FY2017. The net cash accrual to total debt (NCA/TD) stands low at 0.03 times in FY2017 against 0.03 times FY2016.

- Efficient Working Capital management**

SE's working capital is marked by gross current asset (GCA) days of 94 during FY2017 as compared to 90 in FY2016. The inventory days stand at 23 and 18 in FY2017 and FY2016 respectively. Debtor days stood at 37 in FY2017 as compared to 38 in FY2016.

Weaknesses

- Presence in a competitive and fragmented industry**

The company operates in the highly competitive FMCG industry with stiff competition from several organized as well as unorganized player. This limits the bargaining power of the company as apart from SE, Proctor & Gamble has three other major distributors in the Chennai and Coimbatore region.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SE.

Outlook: Stable

SMERA believes SE will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers improvement in its financial risk profile and working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected business growth or in case of deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	561.54	570.55	596.38
EBITDA	Rs. Cr.	12.04	11.84	9.86
PAT	Rs. Cr.	2.41	3.21	2.24
EBITDA Margin	(%)	2.14	2.07	1.65
PAT Margin	(%)	0.43	0.56	0.38
ROCE	(%)	9.39	11.18	23.34
Total Debt/Tangible Net Worth	Times	2.45	2.99	1.84
PBDIT/Interest	Times	1.51	1.47	1.68
Total Debt/PBDIT	Times	7.29	7.67	5.21
Gross Current Assets (Days)	Days	94	90	60

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

NA

Any other information

NA

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	60.00	SMERA BB+ / Stable

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