

Press Release

SILICON JEWEL INDUSTRIES PRIVATE LIMITED

February 28, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (**read as SMERA B minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 14.00 crore bank facilities of SILICON JEWEL INDUSTRIES PRIVATE LIMITED. The outlook is '**Stable**'.

SJIPL is an Ankleshwar-based (Gujarat) company, incorporated in 2008. The company is engaged in the manufacture of pre-laminated particle boards. SJIPL is promoted by six individuals, namely, Mr Mansukhbhai Patel, Mr Rameshbhai Patel, Mr Arvindbhai Patel, Mr Prakash Patel, Mr Vikashkumar Dholu and Mr Vishnubhai Patel. However, Mr Rameshbhai Patel and Mr Vishnubhai Patel retired in FY13. SJIPL belongs to the Ahmedabad-based Silicon Group (SG) which consists of three other entities, namely, Sterling Lam Limited, Shree Laxmi Wood industries and Shree Ambica Board Industries. These entities are engaged in manufacturing of wood-based products such as laminates, veneers, ply-board & doors. SJIPL manufactures pre-laminated particle board of 8x4 sizes and 9x6 size at its sole manufacturing plant located at Ankleshwar (Gujarat). SJIPL sells its board under the brand name of ?Silicon? through its dealers having presence across India.

Key Rating Drivers

Strengths

• Experienced management

SJIPL belongs to the Ahmedabad-based Silicon Group (SG) which consists of three other entities, namely, Sterling Lam Limited, Shree Laxmi Wood industries and Shree Ambica Board Industries. These entities are engaged in manufacturing of wood-based products such as laminates, veneers, ply-board & doors. SJIPL manufactures pre-laminated particle board. The promoters have around a decade of experience in wood based products industry.

Weaknesses

• Declining Revenue Trend and margins

SJIPL's revenues are showing a declining trend in the past three years. The company registered revenue of Rs. 36.34 crore for FY 2017, Rs. 39.70 crore for FY 2016 and Rs. 39.98 crore for FY 2015. The margins of the company have been showing a declining trend from 20.10% in FY15, 17.20% in FY16 to 16.91% in FY17.

• Weak financial risk profile

SJIPL has below average financial risk profile marked by high gearing and low coverage indicators. The company's gearing (debt to equity) ratio stood at 3.18 times as on March 31, 2017. The total debt stood at Rs. 38.35 crore for FY 2017 which comprised of short term borrowings of Rs.13 Crore, long term debt of Rs.7.28 crore, current portion of long term debt of Rs.0.85 crore and unsecured loans Rs.17.22 crore. The net worth stood at Rs.12.06 crore in FY17. Interest coverage stood at 1.83 times and DSCR was low at 0.91 times in FY2017.

• Working capital intensive operations

SMERA Ratings Limited

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SJIPL's working capital cycle is stretched on account of high inventory days of 132 days, Debtor days of 280 and Creditor days of 159. The company's GCA stood at 436 days for FY 2017. Also, the bank utilisation stood at almost ~100%.

Analytical Approach

SMERA has considered the standalone financials of Silicon Jewel Industries Private Limited (SJIPL)

Outlook: Stable

SMERA believes that SJIPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if company's scale of operations grows substantially, while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if company fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	36.34	39.70	39.98
EBITDA	Rs. Cr.	6.14	6.83	8.04
PAT	Rs. Cr.	0.37	-0.20	-0.06
EBITDA Margin	(%)	16.91	17.20	20.10
PAT Margin	(%)	1.02	-0.51	-0.16
ROCE	(%)	7.51	7.79	17.95
Total Debt/Tangible Net Worth	Times	3.18	3.27	3.73
PBDIT/Interest	Times	1.83	1.68	1.66
Total Debt/PBDIT	Times	6.19	5.82	5.23
Gross Current Assets (Days)	Days	436	379	370

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	13.00	SMERA B- / Stable

Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4
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ABOUT SMERA

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