

Press Release

Sri Bhuvaneshvari Thanga Maligai

13 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.30 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 plus**) on the Rs. 14.30 crore bank facilities of Sri Bhuvaneshvari Thanga Maligai (SBTM). The outlook is '**Stable**'.

SBTM (the erstwhile Sri Bhuvaneshvari Jewellery) was established in 1980 and converted to a partnership firm in 2006 by Mr. S. Natarajan, Mr. S. Yoganathan and Mr. S. Venkatesan. The Tamil Nadu-based firm is engaged in the manufacturing and retail of gold, silver and diamond jewellery.

Key rating drivers

Strengths

Experienced promoters and established track record of operations: The firm was established in 1980 by Sri. N. Somasundarm. Mr. S. Natarajan and Mr. S. Yoganathan have more than two decades of experience in the jewellery business.

Weaknesses

Small scale of operations: SBTM operates on a small scale. The firm reported operating income of Rs.25.27 crore in FY2017 as against Rs.15.24 crore in FY2016. Further, the operating revenue stood at Rs. 16.24 crore for April, 2017- October, 2017 (Provisional).

Average financial risk profile: The financial risk profile is below average marked by networth of Rs. 5.58 crore as on 31 March, 2017 as against Rs. 4.40 crore in the previous year. The gearing stood at 2.56 times as on 31 March, 2017 as against Rs.1.29 crore in the previous year. The total debt of Rs.14.30 crore includes term loan of Rs.0.05 crore, unsecured loan of Rs. 3.40 crore and working capital funds of Rs.10.84 crore. The Interest Coverage Ratio (ICR) stood at 2.10 times for FY2016-17 as against 1.62 times in the previous year. The Debt Service Coverage Ratio (DSCR) stood at 1.24 times in FY2017 as against 1.47 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.06 times in FY2017 as against 0.04 times in the previous year.

Profit margins susceptible to fluctuations in raw material prices: Gold and diamonds are the major raw materials procured by the firm. Since the prices of these are highly volatile, the profit margins are exposed to fluctuations in raw material prices.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Sri Bhuvanesvari Thanga Maligai to arrive at the rating.

Outlook – Stable

SMERA believes that SBTM will maintain a stable outlook over the medium term on account of the extensive experience of its promoters. The outlook may be revised to 'Positive' in case the firm registers significant growth in revenues while maintaining operating margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.27	15.24	13.91
EBITDA	Rs. Cr.	1.73	0.82	0.77
PAT	Rs. Cr.	0.73	0.20	0.20
EBITDA Margin	(%)	6.86	5.41	5.55
PAT Margin	(%)	2.87	1.31	1.42
ROCE	(%)	10.40	8.77	8.56
Total Debt/Tangible Net Worth	Times	2.56	1.29	0.89
PBDIT/Interest	Times	2.10	1.62	1.68
Total Debt/PBDIT	Times	8.17	6.91	4.67
Gross Current Assets (Days)	Days	214	186	192

Any other information:

Not Applicable

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>

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

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.30*	SMERA B+/ Stable (Assigned)

*Includes sub limit of Metal Gold Loan to the extent of Rs. 14.30 crore.

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ABOUT SMERA

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