

Press Release

Shri Jothilingam Pattu Mahal Private Limited

May 10, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) on the long term bank facilities of Shri Jothilingam Pattu Mahal Private Limited (SJPM). The outlook is '**Stable**'.

SJPM was incorporated in 2006 by Mr. A. Senthilkumar and Mrs. Sarojadevi. The company sells readymade garments (for adults and kids) through its shop 'Shri Jothilingam Pattu Mahal'. Mr. Senthilkumar also sells kids wear through a partnership firm under the store named 'Shri Jothilingam Kids Park' at Kovilpatti (Tamil Nadu). He also runs a store at Sivagasi through another partnership firm under the store named 'Shri Jothilingam Pattu Mahal'.

Key Rating Drivers

Strengths:

Experienced management and long track record of operations

SJPM was incorporated by Mr. A. Senthilkumar, who has an experience of more than two decades in textile retail. Over the years, he has been able to establish long term relations with customers and suppliers.

Weaknesses:

Working capital intensive operations

The operations are working capital intensive as reflected in the high Gross Current Assets (GCA) of 214 days in FY2017 and 226 days in FY2016. This was on account of high inventory days of ~190 in FY2017 and 178 in FY2016 leading to higher working capital requirements. The debtors stood low at ~21 days in FY2017 due to the retail format (cash and carry). The average working capital limit utilisation stood at 99 percent in the last six months ended February, 2018.

Intense competition in the apparel industry

SJPM is exposed to intense competition from domestic and overseas brands. Furthermore, the domestic apparel market is highly fragmented, with a large number of organised and unorganised players.

Analytical Approach

For arriving at the rating SMERA has considered the standalone business and financial risk profile of SJPM.

Outlook: Stable

SMERA believes that SJPM will maintain a 'Stable' outlook during the medium term on account of its long track record of operations. The outlook may be revised to 'Positive' if the company registers higher than expected revenue, profitability and improvement in working capital requirements. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability or deterioration in the working capital management.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.48	23.46	24.48
EBITDA	Rs. Cr.	1.48	1.41	1.08
PAT	Rs. Cr.	0.15	0.08	0.18
EBITDA Margin	(%)	5.58	6.02	4.43
PAT Margin	(%)	0.57	0.33	0.75
ROCE	(%)	9.46	8.07	7.47
Total Debt/Tangible Net Worth	Times	2.98	3.85	3.43
PBDIT/Interest	Times	1.31	1.33	1.64
Total Debt/PBDIT	Times	6.94	9.70	11.06
Gross Current Assets (Days)	Days	214	226	214

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Trading entities-<https://www.smerra.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA BB-/Stable

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