

Press Release



Sati Granites India Private Limited (SGIPL)

04 June, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Stable
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 14.00 crore bank facilities of Sati Granites India Private Limited (SGIPL). The outlook is '**Stable**'.

Analytical approach: For arriving at the ratings, ACUITE has consolidated the business and financial risk profiles of Sati Granites India Private Limited (SGIPL) and Sati Exports India Private Limited (SGIPL). The consolidation is on account the two entities being managed by the common promoters and have same line of business. Also Sati Exports India Private Limited is holding 16.21 % of shares in Sati Granites India Private Limited. The group is herein referred to as Sati Group.

The Sati Group was incorporated in 2004 by Mr. Swastik Jalan and Mr. Pankaj Chaudhary who possess more than a decades experience in the stone processing industry. The group is engaged in the processing and export of granite slabs. The group exports its processed slabs to Turkey, Lebanon, Vietnam, United Kingdom, USA and UAE. In addition the group is also engaged in quarrying of raw granite blocks. The group has three quarries in Andhra Pradesh and Telangana.

About Sati Granites India Private Limited

Incorporated in 2011 by Mr. Sandeep Jalan and Mr. Swastik Jalan, SGIPL is a 100 per cent export oriented undertaking. The company is engaged in the quarrying (gangsaw slabs processing/cutter slabs processing) and export of granite slabs to USA, UK, Turkey, Vietnam and UAE. SGIPL's manufacturing facility is located at Hosur, Tamil Nadu.

About Sati Exports India Private Limited

Incorporated in 2004, SEIPL is a Bangalore-based company engaged in the processing and export of granite slabs to Turkey, Dubai, Vietnam and Lebanon. The company was promoted by Mr. Swastik Jalan and Mr. Pankaj Chaudhary who have more than a decades experience in the stone processing industry.

Key Rating Drivers

Strengths

Experienced management

Incorporated in 2004, the Sati group is led by Mr. Sandeep Jalan, Mr. Swastik Jalan , Pankaj Choudhury and Mr. Swaroop Jalan. The group is engaged in the processing and export of granite slabs and quarrying. The management has over a decade of experience in the said line of business.

Comfortable Financial Risk Profile

The group's financial risk profile is above average supported marked by comfortable net worth and debt protection metrics and moderate gearing. The net worth stood modest at Rs.36.43 cr in FY2017 as against Rs 30.72 cr in FY 2016 and is expected to increase due to the retention of profit. The debt protection metrics is marked comfortable by interest coverage ratio and the debt service coverage ratio stood of 3.41 times and 1.73 times in FY2017 compared to 3.41 times and 1.81 times in FY2016 respectively. The NCA/TD is comfortable and stood at 0.21 times in FY2017 compared to 0.20 times in FY2016. The gearing stood at 1.25 times in FY2017 compared to 1.47 times in FY2016, mainly on account of increase in net worth level. The debt of Rs 45.56 cr in FY 2017 consists of Rs 2.96 cr of Term Loan, Rs 1.25 cr of vehicle loans, Rs 3.17 cr of Buyers Credit, Rs 10.26 cr of unsecured loan from group companies, housing loan of Rs 1.83 cr and promoters, Rs 26.11 cr of working capital facility.

Healthy scale of operations

The scale of operations of the group is healthy at Rs 232.75 cr in FY 2017 as against Rs 194.21 cr in FY 2016. The rise in revenue mainly on account of entering in the new market of Vietnam and Lebanon for Sati Exports India Private Limited. In addition Sati Granites India Private Limited registered growth of 35 per cent in FY 2016-17 due to increase in the customer base in USA market. On consolidated basis, the group has registered ~ Rs 247 cr in FY 2017-18 (provisional).

Geographically diversified business profile

Sati group sells 100% of its product in the overseas markets and has a geographically diversified operations with business spread across USA, United Kingdom, Vietnam, Lebanon and UAE.

Weaknesses

Working capital Intensive Operations

The group's operations are working capital intensive in nature marked by Gross Current Asset (GCA) days of 119 in FY 2017 as against 128 days in FY 2016. The debtor's days stands at 74 in FY 2017 as against 79 days in FY 2016 mainly on account of transit period of nearly 40-45 days. The inventory is generally kept at 25-40 days for the group as a whole.

The group generally utilizes around 85 per cent of its limit for Sati Granites and over 90 per cent in Sati Exports.

Exposure to forex risk

The company's profit margins are exposed to fluctuations in forex rates. The company exports 100 per cent of its sales to Europe, Middle East, USA and other countries. However, the above risk is mitigated by forward contract limit of Rs.3.08 cr.

Competition from others players are presence in fragmented industry

The company operates in a fragmented industry and faces stiff competition from other players in the market. In addition since the business is largely depends in the export market of USA and Europe where cheap granites is available from Brazil.

Outlook: Stable

ACUITE believes Sati Group will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of deterioration in the financial risk profile on account of 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.	232.75	194.21	203.80
EBITDA	Rs. Cr.	18.03	16.49	16.02
PAT	Rs. Cr.	5.71	5.02	5.27
EBITDA Margin	(%)	7.75	8.49	7.86
PAT Margin	(%)	2.45	2.59	2.59
ROCE	(%)	18.15	17.86	28.34
Total Debt/Tangible Net Worth	Times	1.25	1.47	1.56
PBDIT/Interest	Times	3.41	3.41	3.10
Total Debt/PBDIT	Times	2.51	2.69	2.46
Gross Current Assets (Days)	Days	123	129	106

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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 in(Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Assigned)

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President – Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@acuite.in</p>	<p>Varsha Bist Sr. Executive Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuite Ratings & Research:

Acuite Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuite.