

June 24, 2015

Facilities	Amount (Rs. Crore)	Rating
Export Packing Credit	5.00*	SMERA A3 (Reaffirmed)
Foreign Bill Purchase	10.00*	SMERA A3 (Reaffirmed)
Proposed pre-shipment and post-shipment credit	10.00	SMERA A3 (Assigned)

**Interchangeability from pre-shipment to post-shipment to the extent of 100 per cent of pre-shipment (Rs.5.00 crore) and post-shipment to pre-shipment at 30 per cent of post-shipment (Rs.3.00 crore).*

SMERA has reaffirmed and assigned rating of **‘SMERA A3’ (read as SMERA A three)** to the Rs.25.00 crore bank facilities (enhanced from Rs.15.00 crore) of The Design House (TDH). SMERA has changed its approach and carried out surveillance of TDH on standalone basis due to closure of credit facilities and negligible operations in the group company.

The rating is supported by the firm’s experienced management, healthy financial risk profile marked by healthy operating profit margin and comfortable liquidity position. The rating also factors in the firm’s in-house design facility and the benefits derived from being in the export promotion zone. However, the rating is constrained by the firm’s exposure to geographic and client concentration risks. The rating factors in risks related to the firm’s working capital-intensive operations, susceptibility of the profit margins to volatility in raw material prices and fluctuations in foreign exchange rates.

Update

For FY2014–15 (refers to financial year, April 01 to March 31), TDH reported increase in revenue by ~10 per cent over FY2013–14 on account of increase in export sales. The revenue trend has been in line with the projections of the firm as well as SMERA. The firm’s operating margin is stable at 14.18 per cent in FY2014-15 (14.33 per cent in the previous year). TDH’s net profit margin stood at 10.07 per cent in FY2014-15 (9.96 per cent in the previous year).

TDH’s debt-to-equity ratio stood at 2.41 times as on March 31, 2015. The total debt of Rs.21.75 crore mainly includes interest bearing unsecured loans from promoters to the tune of Rs. 11.96 crore and working capital borrowings of Rs. 9.67 crore as on March 31, 2015. The coverage indicators remained healthy with interest coverage ratio (ICR) at 4.09 times and debt service coverage ratio (DSCR) at 4.20 times in FY2014-15. Return on capital employed also remained healthy at 30 per cent as on March 31, 2015. The net cash accruals to total debt (NCA to TD) stands healthy at 0.27 times as on March 31, 2015.

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SMERA RATINGS LIMITED

The Design House (TDH)

*Rating
Rationale*

Rating sensitivity factors

- Sustained growth in revenues and profitability
- Substantial improvement in coverage indicators
- Efficient working capital management
- Higher—than-expected debt funded capex or working capital requirements

About the Firm

TDH, established in 2012, is a Mumbai (SEEPZ) based firm promoted by Mr. Aditya Choksi, Mr. Bhavin Choksi and Ms. Arohi Choksi. The firm is engaged in the manufacture and export of diamond-studded gold jewellery.

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