

DECEMBER 11, 2014

CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF SAI SWARNAMANDIR JEWELLERS PVT LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	2 (reduced from 18)	CARE BBB+(SO) [Triple B plus (Structured Obligation)]	Revised from CARE BBB (SO) [Triple B (Structured Obligation)]
Total Facilities	2		

@ backed by the unconditional and irrevocable corporate guarantee provided by Sai Silks (Kalamandir) Ltd (rated CARE BBB+)

Rating Rationale

The revision in the rating assigned to the bank facilities of Sai Swarnamandir Jewellers Pvt Ltd continuous to take into account the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by Sai Silks (Kalamandir) Ltd [SSKL].

The revision in the long term rating assigned to the bank facilities of Sai Silks (Kalamandir) Ltd takes into consideration the improved overall financial risk profile marked by growth in total income in 6MFY15(refers to the period April 1 to September 30) and improvement in the adjusted overall gearing level as on September 30, 2014.

As in SSKL's RR the rating, continuous to draw strength from the experience of the promoters in the textile retailing, satisfactory operational track record of the company, strong market position with an established brand name in the southern part of India, established network with the suppliers, geographically diversified revenue stream and consistent growth in the total operating income. However, the rating continues to be constrained by the working capital intensive nature of the operations and intense competition from the organised and unorganised players in the textile retailing leading to low profitability margins. The ability of the company to increase its scale and stabilise operations in its new showrooms, sustain its market position amidst the growing competition and improve the capital structure are the key rating sensitivities.

Background

Sai Swarnamandir Jewellers Private Ltd. (SSJPL) was incorporated in December, 2007 and is engaged in the business of retailing gold and silver jewellery (Hallmark). Mr NK Durga Prasad is the Managing Director of the company. He is also the Founder, Chairman & Managing Director of Sai Silks (Kalamandir) Limited [SSKL]. SJPL is operating in the retail jewellery business in the form of cross selling mainly through two showrooms of Kalamandir in Bangalore (Jayanagar and Malleshwaram). SSJPL procures the gold and silver from local market suppliers at Mumbai, Chennai and Bangalore and assigns the manufacturing/ designing work to highly trusted manufacturers who work under its supervision.

During FY14 (refers to the period April 1 to March 31), SSJPL reported a PAT of Rs.0.27 crore (Rs.0.78 crore in FY13) on a total income of Rs.92.89 crore (Rs.120.33 crore in FY13).

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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