

November 30, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO BANK FACILITIES OF SAI SILKS KALAMANDIR LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	105.49 [Enhanced from Rs.97.39 crore]	CARE BBB+ (Triple B Plus)	Reaffirmed
Total Facilities	105.49 (Rupees One Hundred Five crore and Forty Nine lakh only)		

Rating Rationale

The rating assigned to the enhanced long-term bank facilities of Sai Silks Kalamandir Limited (SSKL) continues to derive strength from the experienced promoters and satisfactory operational track record of the company in the textile retail industry, strong market position with established brand presence in the southern part of India, established network with the suppliers and geographically diversified revenue stream. The rating also takes cognizance of consistent growth in the total operating income in FY15 (refers to the period April 01 to March 31) and marginal improvement in gearing level despite increased debt as on March 31, 2015. However, the rating is constrained by the working capital intensive nature of the operations, higher reliance on external debt to fund the operations, decline at PAT level for FY15 and intense competition from the organised and unorganised players in the textile retail industry.

The ability of the company to increase its revenue and improve the profitability margins and manage the working capital efficiently amidst the increasing competition in the domestic garment retail industry are the key rating sensitivities.

Background

SSKL was established in 2005 as a partnership firm by Mr Chalavadi N K Durga Prasad, who is a first-generation entrepreneur. It was subsequently converted into a private limited company in 2008-09 and then to a public limited company in May 2009. SSKL has a network of 22 retail outlets in important commercial centers in South India (Andhra Pradesh, Telangana, Karnataka and Tamil Nadu) and are majorly into the business of retailing of sarees under the brand name of "Kalamandir", "Mandir", and "Varamahalakshmi". Although the company continues to focus on the sarees segment especially mid- range and upper range, it has diversified its portfolio of offerings to include women's dress materials and ready-made apparels for women, men and kids. Furthermore, from FY16, they have discontinued their jewellery business. All stores of the company are on leased premises, having a combined floor space of 179,520 square feet. The company has also set up three regional distribution centers, one in Hyderabad (35,000 sq. ft.) one in Bengaluru (14,000 sq. ft.) and another in Chennai (11,000 sq. ft.).

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

Apart from this, the company also has a wind power generation plant in Andhra Pradesh aggregating to 2MW capacity. The company has entered into Power purchase agreement (PPA) with Telangana Southern Power Distribution Company Ltd at Rs.3.50 per unit for a period of 10 years from 2011.

Mr Ch. N K D Prasad is the Founder, Chairman & Managing Director of SSKL and Sai Retail India (SRI).

During FY15, the company registered total operating income of Rs.412.65 crore (Rs.385.41 crore in FY14) with PAT of Rs.10.03 crore (Rs.16.31 crore in FY14).

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

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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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