

December 30, 2015

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

### Rating

| Facilities                | Amount<br>(Rs. crore)                                                           | Ratings <sup>1</sup>                 | Remarks    |
|---------------------------|---------------------------------------------------------------------------------|--------------------------------------|------------|
| Long term Bank Facilities | 120.49<br>[Enhanced from 105.49]                                                | <b>CARE BBB+<br/>(Triple B Plus)</b> | Reaffirmed |
| <b>Total Facilities</b>   | <b>120.49(Rupees One Hundred<br/>Twenty crore and Forty Nine<br/>lakh only)</b> |                                      |            |

### 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.).

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).

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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).

**Analyst Contact**

Name: Ms Radhika Ramabhadran

Tel: +91-40-6900 0516

Cell: +91-8008883012

Email: [radhika.ramabhadran@careratings.com](mailto:radhika.ramabhadran@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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

**Disclaimer:** CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

**CONTACT****Head Office Mumbai****Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

**Mr. Amod Khanorkar**

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

**BENGALURU****Mr. Dinesh Sharma**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

**CHANDIGARH****Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,  
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

**HYDERABAD****Mr. Saikat Roy**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

**JAIPUR****Mr. Rakesh Jayaraman**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 - 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

**PUNE****Mr. Rahul Patni**9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

**CIN - L67190MH1993PLC071691**