Sai Silks (Kalamandir) Limited

January 20, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	113.58 (reduced from 120.49)	**CARE BBB+; Stable (Triple B Plus; Outlook: Stable)**	Reaffirmed
Total Facilities	**113.58 (Rupees One hundred thirteen crore and fifty eight lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The rating assigned to the long-term bank facilities of Sai Silks (Kalamandir) Limited (SSKL) continues to derive strength from the qualified & experienced promoters with long track record in readymade garment industry, strong market position with established brand presence in the southern part of India, established network with the suppliers and diversified revenue stream. The rating also takes into account growth in the total operating income and profits during FY16 (FY refers to the period from April 01 to March 31) and improved capital structure. However, the rating is constrained by the working capital intensive nature of the operations resulting in elongated operating cycle, higher reliance on external debt to fund the operations 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.

Detailed description of the key rating drivers

Kalamandir group was founded by Mr Chalavadi N K Durga Prasad in 2005. The promoters have satisfactory experience and a successful track record of establishing and operating retail textile stores.

SSKL has a strong market position and popular brand names in Andhra Pradesh and Telangana through its brands; “Kalamandir”, “Mandir”, and “Varamahalakshmi”.

The promoters have established strong relationship with its suppliers and vendors which is a critical factor in ensuring success of the retailing operations.

SSKL continues to diversify its revenue stream through its 25 retail outlets spread across Andhra Pradesh, Telangana, and Karnataka. The company has commenced its operations in 2 new stores of Vizag and Hyderabad in September 2016. Further, although the company derives majority of its revenue from women’s wear, the company has gradually enhanced its product portfolio in men’s and kid’s wear to appeal and cater to wider consumer segment.

Total operating income of the company has improved by around 11% (from Rs.412.65 crore in FY15 to Rs.457.25 crore in FY16) backed by significant increase in volume owing to expansion of its retail network. PBILDT margin of the company however declined marginally during FY16 vis-a-vis FY15. Increase in income also resulted in increased profits during FY16.

Overall gearing level of the company has improved from 1.24x as on March 31, 2015 to 1.04x as on March 31, 2016. The total debt to GCA continues to remain on a higher side at 5.14x in FY16 on account of high reliance on external debt.

Being in the retail business, the company generally has to maintain around four to five months of inventory in all the stores according to the market demand, which leads to high working capital requirement. The operating cycle of the company remained elongated at 143 days for FY16 primarily on account of high inventory period.

Analytical approach: Standalone

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

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology-Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)
[CARE's methodology organized Retail Company](#)

About the Company

Sai Silks (Kalamandir) Limited (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 is the flagship company of the Kalamandir group. SSKL has a network of 25 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. All stores of the company are on leased premises, having a combined floor space of 2,32,673 square feet. The company has also set up three regional distribution centers, one in Hyderabad (35,000 sq. ft.), one in Bangalore (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 PPA with Telangana Southern Power Distribution Company Limited at Rs.3.50 per unit for a period of 10 years from 2011.
During FY16 (refers to the period April 1 to March 31), SSKL has reported PBILDT of Rs.44.42 crore (Rs.41.75 crore in FY15) and PAT of Rs.12.77 crore (Rs.10.03 crore in FY15) on a total operating income of Rs.457.25 crore (Rs.412.65 crore in FY15).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based - LT-Term Loan	-	-	October 2019	28.58	CARE BBB+; Stable
Fund Based - LT-Cash Credit	-	-	-	81.50	CARE BBB+; Stable
Fund Based - LT-Working Capital Limits	-	-	-	3.50	CARE BBB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based - LT-Term Loan	LT	28.58	CARE BBB+; Stable	-	1)CARE BBB+ (30-Dec-15) 2)CARE BBB+ (30-Nov-15) 3)CARE BBB+ (12-Nov-15)	1)CARE BBB+ (28-Nov-14) 2)CARE BBB (09-Oct-14)	1)CARE BBB (04-Feb-14)
2.	Fund Based - LT-Cash Credit	LT	81.50	CARE BBB+; Stable	-	1)CARE BBB+ (30-Dec-15) 2)CARE BBB+ (30-Nov-15) 3)CARE BBB+ (12-Nov-15)	1)CARE BBB+ (28-Nov-14) 2)CARE BBB (09-Oct-14)	1)CARE BBB (04-Feb-14)
3.	Fund Based - LT-Working Capital Limits	LT	3.50	CARE BBB+; Stable	-	1)CARE BBB+ (30-Dec-15) 2)CARE BBB+ (30-Nov-15) 3)CARE BBB+ (12-Nov-15)	1)CARE BBB+ (28-Nov-14) 2)CARE BBB (09-Oct-14)	1)CARE BBB (04-Feb-14)

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CIN - L67190MH1993PLC071691