

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 15.00 Crores of Sri Vasavi Thanga Maaligai.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (December, 2017)	Present
Fund based	15.00	15.00	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook: Stable)	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook: Stable) Reaffirmed
Non Fund Based	(12.00)	(12.00)	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed
Total	15.00	15.00	INR Fifteen Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial statements upto FY18 and publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from experience of management in jewelry business, adequate gearing ratio, Comfortable Debt Protection metrics and liquidity. However, the rating is constrained by susceptibility of revenue and profitability to intense competition and volatility in gold prices and working capital intensive nature of operations. Further being a partnership firm, any withdrawals of the capital by the partners for any contingencies would adversely impact the capital structure which would be a rating sensitivity.

Going forward, the ability of the firm to increase its operating margins, profitability and manage its working capital efficiently will be the key rating sensitivities



Description of Key Rating Drivers

Credit Strengths:

- **Experienced Management:** The partners of the firm are Mr. Meda B Nithyanantham, Mr. Meda N Ravi, Ms. Meda N Bhuvaneshwari and Ms. Meda N Pushpa and have more than two decades of experience in retail jewelry business
- **Adequate Gearing Ratio:** Gearing Ratio is adequate at 0.18 times in FY17 and FY18
- **Comfortable Debt Protection Metrics:** ISCR and DSCR are comfortable at 4.98 time and 4.97 times in FY18 respectively
- **Liquidity:** Current Ratio is at adequate levels at 3.59 times in FY17 and 3.45 times in FY18

Credit Risks:

- **Susceptibility of revenue and profitability to intense competition and volatility in gold prices:** The gold jewellery industry is highly fragmented with the presence of a large number of small and big players, which constrains the company's profitability. The industry players have to continuously offer new designs and adopt innovative marketing practises to attract and retain customers.
- **Working Capital Intensive nature of operations:** Jewellery business is working capital intensive as can be observed from high inventory days at 92 days in FY17 and 108 days in FY18
- **Constitution of the entity as a partnership firm:** Sri vasavi Thanga Maaligai being a partnership firm, is exposed to inherent risk of capital withdrawal at the time of personal contingency which will affect its capital structure

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Sri Vasavi Thanga Maaligai** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the firm

Sri Vasavi Thanga Maaligai (SVTM) was established in the year 2003 as a partnership firm, in Dindigul Tamil Nadu. The partners are Mr. Meda B Nithyanantham, Mr. Meda N Ravi, Ms. The partners are Mr. Meda B Nithyanantham, Mr. Meda N Ravi, Ms. Meda N Bhuvaneshwari and Ms. Meda R Pushpa. The firm is a retailer in jewellery.

Financial Performance of the firm

The firm reported a net revenue from operations of Rs.235.42Cr in FY18 and Rs.222.78Cr in FY17. Net profit margin reported at 4.32% in FY18. Tangible net worth stood at Rs.56.60Cr as at the end of March 31, 2018

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Cash Credit	Long Term	15.00	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook: Stable) Reaffirmed	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook: Stable)	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook: Stable)	BWR BB+ (Rating Not Reviewed)
	Bank Guarantee	Short Term	(12.00)	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed	BWR A4+ (Pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus)	NA
	Total		15.00	₹Fifteen Crores Only			

Key Financial Indicators

Key Parameters	Units	2018	2017	2016
Result Type		Audited	Audited	Audited
Operating Revenue	₹ Cr	235.42	222.78	155.96
EBITDA	₹ Cr	13.68	12.84	10.36
PAT	₹ Cr	10.18	8.21	11.85
Tangible Net worth	₹ Cr	56.60	51.61	40.59
Total Debt/Tangible Net worth	Times	0.18	0.18	0.15
Current Ratio	Times	3.45	3.59	7.95



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.