



Press Release

Shri Rathna Akshaya Estates Private Limited

March 23, 2021

Ratings

Sr. No.	Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund Based Facility – Term Loans	226.96	IVR BBB+/ Credit Watch with Developing Implications/ (IVR Triple B Plus under Credit Watch with Developing Implications)
2	Long Term Fund Based Facility – Cash Credit	75.00	IVR BBB+/ Credit Watch with Developing Implications/ (IVR Triple B Plus under Credit Watch with Developing Implications)
Total		301.96	

**Details of Facilities are in Annexure 1.*

Detailed Rationale

The ratings assigned to the bank facilities of Shri Rathna Akshaya Estates Private Limited (SRAEPL or the company) takes into account its track record of group and extensive experience of management, moderate financial risk profile & good profitability, scale of operations. These are partially offset by working capital intensive operations, exposure to intense competition in the retailing industry.

Key Rating Sensitivities

- Upward Factors

- Growth in operating income with improvement in margins leading to improvement in cash accruals on a sustained basis.
- Improvement in the operating cycle leading to improvement in liquidity.

- Downward Factors

- Dip in operating income and/or profitability along with prolonged impact of Covid-19 adversely affecting the company's financial performance and liquidity position.



Press Release

- Stretch in the working capital cycle driven by pile-up of inventory and/or sizeable capital expenditure weakening the financial risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Track record of group and extensive experience of management** - Saravana stores has been in retail business for over more than 4 decades. Shri Rathna Akshaya Estates Private Limited is a part of Saravana Selvarathnam group, which is largest family-owned enterprises in Tamil Nadu. Promoters also have extensive experience in the retail market and have wide reputation in entire corporate retail market segment. The “Saravana Selvarathnam Stores” has a wide brand presence in domestic & as well across country. The group targets low and middle-income customers. The company has strong procurement linkages owing to large scale of operations, and also commands pricing of cost-plus-nominal mark-up from manufacturers.
- **Moderate financial risk profile & good profitability** - The Company’s financial risk profile is average, marked by healthy net worth including quasi equity of Rs 236.76 crore which is backed by healthy accretion to reserves and profits. The company has overall low gearing of 0.66x and moderate debt protection metrics of ISCR of 4.88x and DSCR of 2.48x as of 31 March 2020. TOL/TNW has also remained low at 0.76 times as on March 31, 2020. The Company has shown continuous improvements in profitability margin from FY2017 onwards and is in the range of 9-10% over the last 3 years ended FY2020. Operating and net profit margins continue to be at same level at 10.22% and 4.85% respectively for FY2020.
- **Scale of operations**- The scale of operations is large and is recorded sales of Rs. 385.18 crore in FY2020. In view of the possible impact of COVID-19, both by way of the halt in operations and the lowered demands from the end-users due to nature of the commodity, the company has estimated a muted growth in turnover for FY2021. . As of Dec 2020(prov), company was able to record sales of Rs. 285.90 crore and EBIDTA of Rs. 29.02 crore.



Press Release

B. Key Rating Weaknesses

- **Working capital intensive operations** - The Company's operations are working capital intensive as the company maintains inventory of over 4-5 months, resulting in an elongated working capital cycle. This increases the company's dependence on working capital facilities to meet its funding requirements. Hence the average utilization is almost fully utilized. However, introduction of newer stores and product variants will help to achieve growth for the company.
- **Exposure to intense competition in the retailing industry** – The Company has shopping complexes on the high streets of Madurai and Tirunelveli, which are flooded with small and large players in the same line of business. It faces intense competition in terms of product quality and pricing, which leads to continuous pricing pressure, affecting its margins.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Trading companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity is adequate as the company has cash and bank balance of Rs. 30.79 crores. The average cash credit utilisation stood at 91% for the past 12 months ending Dec.2020. Further, the company is also expected to generate steady cash accrual over the near medium term against minimal repayment obligation.

About the Company

Incorporated in the year 2014, Shri Rathna Akshaya Estates Private Limited, was promoted in the name of second daughter of Selva Rathnam Saravana Arul. The company is engaged in trading of Gold, silver and diamond ornaments, Textiles and readymade garments, Footwear and cosmetics, Household articles & electronic goods & mobile phones and Provisions, vegetables & fruits. The retail stores located at Madurai and Tirunelveli.



Press Release

The company is undertaking construction of a new retail showroom at Pallavaram, Chennai. By undertaking development of a Retail Showroom with 11 movie Screens which shall be a one stop destination for retail products and entertainment and will target the middle class, upper middle class and the elite strata of the society. The total cost of the project estimated at Rs.370.65 Crore.

Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	384.23	385.18
EBITDA	38.76	39.35
PAT	16.84	18.70
Tangible Net worth	106.49	152.19
Adjusted Tangible Net worth	160.28	236.76
EBITDA Margin (%)	10.09	10.22
PAT Margin (%)	4.38	4.85
Overall Gearing Ratio (x)	1.33	1.59

**As per Infomerics Standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No	Facility	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loans	Long Term	226.96	IVR BBB+/ Credit Watch with Developing Implications/ (IVR Triple B Plus under Credit Watch with Developing Implications)	NA	NA	NA
2	Cash Credit	Long Term	75.00	IVR BBB+/ Credit Watch with Developing Implications/ (IVR Triple B Plus under Credit Watch with Developing Implications)	NA	NA	NA
Total			301.96				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details:

Name: Ms. Netra Rathod

Tel: (022) 62396023

Email: nrathod@infomerics.com

Name: Mr. Prakash Kabra

Tel: (022) 62396023

Email: prakash.kabra@infomerics.com



Press Release

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.



Press Release

ANNEXURE I

Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	Dec 2028	226.96	IVR BBB+/ Credit Watch with Developing Implications/ (IVR Triple B Plus under Credit Watch with Developing Implications)
Long Term Bank Facilities - Cash Credit	-	-	Revolving	75.00	IVR BBB+/ Credit Watch with Developing Implications/ (IVR Triple B Plus under Credit Watch with Developing Implications)
Total				301.96	