

August 19, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	29.50	SMERA BB-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as SMERA double B minus) to the above mentioned bank facility of Suman Jewellery (SJ). The outlook is '**Stable**'. The rating derives comfort from the firm's experienced management, healthy growth in revenues and healthy profit margins at operating levels. However, the rating is constrained by the working capital intensive operations and the firm's exposure to geographical concentration risk. The rating is further constrained by the intense competition in the jewellery industry.

Outlook: Stable

SMERA believes that SJ will continue to benefit from the extensive experience of its promoter in the jewellery industry. The outlook may be revised to 'Positive' in case the firm registers better-than-expected growth in its revenues and accruals, while maintaining its debt protection metrics, or if its business risk profile improves through greater geographical diversification. Conversely, the outlook may be revised to 'Negative' if the firm registers lower-than-expected revenues and profitability or in case of lengthening of its working capital cycle, resulting in deterioration in its debt coverage metrics.

Rating Sensitivity Factors

- Effective working capital management
- Scaling up of operations with sustainable profit margins amidst volatile raw material prices

About the Firm

SJ, incorporated in 1992, is a Coimbatore-based proprietorship firm engaged in the retail trading of gold and diamond jewellery at its showroom in Coimbatore.

For FY2013-14, SJ reported profit after tax (PAT) of Rs.0.06 crore on an operating income of Rs.59.51 crore, as compared with PAT of Rs.0.249 crore on an operating income of Rs.44.72 crore in FY2012-13. The firm's net worth stood at Rs.31.26 crore as on March 31, 2014, as compared with Rs.30.89 crore a year earlier.

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