

November 10, 2014

Facilities	Amount (Rs. Crore)	Ratings
FBP/FBN/EBD*	20.00	SMERA BB/ Stable (Assigned)
Credit Exposure Limit	2.50	SMERA A4+ (Assigned)

*Includes PCL/PCFC as a sublimit to the extent on Rs.14.00 crore

SMERA has assigned ratings of '**SMERA BB**' (read as SMERA double B) and '**SMERA A4+**' (read as SMERA A four plus) to the abovementioned bank facilities of Sitaram Gems (SG). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management, healthy revenue growth, moderate debt protection metrics and efficient working capital management. However, the ratings are constrained by the firm's moderate-scale operations amidst intense competition in the gems and jewellery industry. The ratings are also constrained by the susceptibility of the firm's profit margins to foreign exchange fluctuation risk.

SG, established in 2001, is a Surat-based partnership firm engaged in processing of diamonds. SG benefits from its experienced management. The partners of the firm have around 15 years of experience in the gems and jewellery industry. SG's revenues increased from Rs.86.95 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.157.48 crore in FY2013-14, a growth of ~81 per cent. The firm's revenues have grown at a healthy compound annual growth rate (CAGR) of ~52 per cent over the last five years. SG's moderate financial risk profile is marked by low debt-to-capital ratio of 0.78 times as on March 31, 2014 and comfortable interest coverage ratio of 2.03 times in FY2013-14. The firm has a comfortable working capital cycle of 31 days in FY2013-14. SG's gross current assets (GCA) stood at 175 days in FY2013-14.

Notwithstanding healthy growth in revenues, SG has moderate-scale operations with revenues of Rs.157.48 crore in FY2013-14. The firm operates in an intensely competitive segment of the gems and jewellery industry. SG's profit margins are susceptible to forex fluctuation risk.

Outlook: Stable

SMERA believes SG will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained improvement in profit margins while maintaining healthy revenue growth and comfortable working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the firm's profit margins, or in case of stretch in the firm's working capital cycle. The outlook may also be adversely affected by major deterioration in the firm's capital structure on account of higher-than-expected debt-funded working capital requirements.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the firm

SG, established in 2001, is a Surat-based partnership firm promoted by Mr. Manjibhai Kevadiya, Mr. Pravinbhai Kevadiya, Mr. Pravinbhai Miyani, Mr. Vinubhai Miyani and Mr. Vitthalbhai Kevadiya. SG is engaged in processing of cut and polished diamonds. The firm derives ~35 per cent of its total revenues from exports.

For FY2013-14, SG reported profit after tax (PAT) of Rs.1.12 crore on operating income of Rs.157.48 crore, as compared with PAT of Rs.1.32 crore on operating income of Rs.86.95 crore in FY2012-13. The firm's net worth stood at Rs.14.49 crore as on March 31, 2014, as compared with Rs.12.64 crore a year earlier.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.