



SMERA RATINGS LIMITED

Indian Gem & Jewellery Imperial Private Limited (IGJIPL)

*Rating
Rationale*

January 06, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	35.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a long-term rating of **'SMERA BB-' (read as SMERA double B minus)** to the Rs.35.00 crore bank facility of Indian Gem & Jewellery Imperial Private Limited (IGJIPL). The outlook is **'Stable'**. The rating is supported by the company's established presence in Kolkata. The rating is also supported by the company's experienced management. However, the rating is constrained by the company's thin operating profitability and weak debt coverage indicators. The rating is also constrained by the company's working capital-intensive operations in a highly competitive retail jewellery segment. The rating notes that the company's profit margins are susceptible to fluctuations in gold and diamond prices.

IGJIPL, incorporated in 2006, is a Kolkata-based company engaged in retailing of gold jewellery, diamond studded jewellery and ornaments studded with precious and semi-precious stones. IGJIPL has three showrooms in Kolkata (one in Salt Lake and two in Vardaan market) and one showroom in Siliguri (West Bengal). The company benefits from its experienced management. Mr. Prasanna Dugar, director of IGJIPL, has around three decades of experience in the gems and jewellery industry.

IGJIPL reported low operating profit margin in the range of 2.50–3.00 per cent over the past three financial years. The company's interest coverage ratio is weak at 1.34 times in FY2013–14 (refers to financial year, April 01 to March 31). IGJIPL's gearing (debt-equity ratio) stood at 1.66 times as on March 31, 2014. The company's gross current assets (GCA) are high at 130 days in FY2013–14 mainly on account of inventory holding period of 127 days. IGJIPL's average bank limit utilisation is thus high at ~95 per cent during April 2014 to September 2014. The company's profit margins are susceptible to adverse fluctuations in gold and diamond prices.

Rating sensitivity factors

- Improvement in profitability and debt coverage metrics
- Working capital management and bank limit utilisation

Outlook: Stable

SMERA believes IGJIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial and sustained growth in revenues and profitability, or in case of substantial improvement in the company's debt coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's

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profitability, or in case of deterioration in the company's debt coverage indicators and liquidity position.

About the company

IGJIPL, incorporated in 2006, is a Kolkata-based company promoted by Mr. Prasanna Dugar. IGJIPL undertakes retailing of gold jewellery, diamond studded jewellery and ornaments studded with precious and semi-precious stones. Mr. Prasanna Dugar, promoter of IGJIPL, was previously associated with Indian Gem & Jewellery Private Limited. IGJIPL has three showrooms in Kolkata and one showroom in Siliguri, West Bengal.

For FY2013-14, IGJIPL reported net profit of Rs.0.77 crore on operating income of Rs.182.70 crore, as compared with net profit of Rs.0.60 crore on operating income of Rs.210.49 crore in FY2012-13. The company's net worth stood at Rs.21.26 crore as on March 31, 2014, as compared with Rs.20.04 crore a year earlier.

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