



SMERA RATINGS LIMITED

Indian Gem & Jewellery Imperial Private Limited (IGJIPL)

**Rating
Rationale****January 07, 2016**

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

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.35.00 crore bank facilities of Indian Gem & Jewellery Imperial Private Limited (IGJIPL). The outlook is '**Stable**'. The rating continues to draw comfort from the company's established presence in Kolkata and its experienced management. The rating also continues to draw comfort from the company's established relations with customers. However, the rating remains constrained by the company's low profitability margins, working capital intensive operations and high bank limit utilization. The rating is also constrained by the company's susceptibility of profits to adverse movement in gold and diamond prices.

Update

IGJIPL registered net profit of Rs.0.85 crore on operating income of Rs.211 crore in FY2014-15, as compared with net profit of Rs.0.77 crore on operating income of Rs.182.70 crore in FY2013-14. The company registered net sales of Rs.137.00 crore (provisional) for the period April 2015 to November 2015.

IGJIPL's tangible net worth stood at Rs.21.98 crore as on March 31, 2015, as compared with Rs.21.26 crore a year earlier. The company's leverage (debt-equity ratio) has remained comfortable at 1.62 times as on March 31, 2015 as compared to 1.66 times in the previous year.

IGJIPL's interest coverage ratio is weak at 1.29 times in FY2014-15 as against 1.34 times in FY2013-14. The company's return on capital employed stood low at 10.66 per cent in FY2014-15 as against 9.98 per cent in the previous year. SMERA believes IGJIPL's debt coverage indicators are likely to remain average over the medium term.

IGJIPL's operations continue to remain working capital-intensive. As a result, the company's cash credit limit of Rs.35.00 crore is ~98 per cent utilised during the period April 2015 to October 2015.

Rating sensitivity factors

- Sustained improvement in operating profit margin and debt coverage indicators
- Working capital management and bank limit utilization

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Rationale**

Outlook: Stable

SMERA believes that IGJIPL will continue to benefit from the extensive experience of promoter in the gems and jewellery industry. The outlook may be revised to 'Positive' in case the company registers better-than-expected growth in its revenues and, particularly, in its operating profitability, resulting in improvement in its debt coverage indicators. Conversely, the outlook may be revised to 'Negative' if IGJIPL 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.

About the Company

Indian Gem & Jewellery Imperial Private Limited (IGJIPL) was incorporated in November, 2006 by Mr. Prasanna Dugar. IGJIPL is engaged in the retailing of gold jewellery, diamond studded jewellery and precious and semi-precious stones studded jewellery. The promoter was earlier involved in the jewellery business through the entity named Indian Gem & Jewellery Private Limited. However, in 2007, the business of Indian Gem & Jewellery Private Limited was divided among two brothers. Currently, IGJIPL has two showrooms in Kolkata (West Bengal), one in Kanpur (Uttar Pradesh) and one in Siliguri (West Bengal).

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