

**February 27, 2015**

Facilities	Amount (Rs. Crore)	Rating
Export Packing Credit	4.80	SMERA BB/Stable (Assigned)
Post Shipment Credit	7.20	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA double B**) to the abovementioned bank facilities of Munjani Brothers (MB). The rating is supported by the firm's experienced management and moderate debt protection metrics. However, the rating is constrained by the firm's stretched working capital cycle. The rating is also constrained by the firm's exposure to customer and geographic concentration risks amidst intense competition in the gems and jewellery industry.

MB, established in 1986, is a Mumbai-based partnership firm engaged in processing of diamonds. MB benefits from its experienced management. The partners of the firm have around 30 years of experience in the gems and jewellery industry. MB has moderate debt protection metrics marked by debt-to-capital ratio of 1.25 times as on March 31, 2014 and interest coverage ratio of 2.57 times in FY2013-14 (refers to financial year, April 01 to March 31).

MB's working capital cycle is stretched at 197 days in FY2013-14 on account of extended collection period of 187 days. MB is exposed to customer concentration risk as the firm derives ~60 per cent of its revenues from around ten customers. MB is also exposed to geographic concentration risk arising from high dependence on orders from customers in Hong Kong and Belgium. The firm operates in an intensely competitive segment of the gems and jewellery industry.

Outlook: Stable

SMERA believes MB 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 healthy growth in revenue while achieving improvement in working capital management. The outlook may be revised to 'Negative' in case of decline in the firm's revenue, or in case of deterioration in the firm's working capital management and liquidity position.

About the firm

MB, established in 1986, is a Mumbai-based partnership firm promoted by Mr. Mohanbhai Munjani, Mr. Devrajbhai Munjani, Mr. Becharbhai Munjani and Mr. Ganeshbhai Munjani. MB is engaged in processing of diamonds.

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For FY2013-14, MB reported profit after tax (PAT) of Rs.4.16 crore on operating income of Rs.246.50 crore, as compared with PAT of Rs.5.16 crore on operating income of Rs.239.92 crore in FY2012-13. The firm's net worth stood at Rs.65.70 crore as on March 31, 2014, as compared with Rs.67.91 crore a year earlier.

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