

D Gem Mount: Reaffirmed

Name of the Instrument	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	9.50	SMERA BB+/Stable (Reaffirmed)

SMERA has reaffirmed the rating of **'SMERA BB+' (read as SMERA double B plus)** on the above mentioned bank facilities of D Gem Mount (DGM). The outlook is **'Stable'**.

The rating continues to derive comfort from the firm's healthy financial risk profile, stable profitability and experienced management. However, the rating is partially offset by the moderate scale of operations, changes in government regulations, exposure of margins to intense market competition and volatility in raw material prices. The rating also factors in the risks related to the partnership constitution of the firm.

Update

While DGM registered revenue of Rs.57.03 crore in FY2015, in FY2016 the same fell to Rs.50.18 crore (provisional) on account of the jewellers' strike against excise duty hike. The firm's margins remained stable during the period (FY2013-15). The operating margin stood at 5.12 per cent for FY2015. The gearing level continues to be stable at 1.38 times as on March 31, 2015 inspite of withdrawal of capital. The operations are working capital intensive due to high inventory. However, the bank utilisation limit is comfortable at 70 per cent for six months ended March 2016.

However, DGM benefits from its experienced management. The promoters possess around three decades of experience in the gold and jewellery business.

Rating Sensitivity Factors

- Scaling up of operations while maintaining profitability
- Efficient working capital management

Outlook - Stable

SMERA believes that DGM will continue to benefit from the experience of the promoters and its established operational track record. The outlook may be revised to 'Positive' with increase in cash accruals and improvement in the working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration of the financial profile.

Criteria applied to arrive at the rating:

- **Manufacturing Entities**

About the Firm

Established in 2007, DGM, a partnership firm is engaged in the manufacture of diamond and gold jewellery at Coimbatore. The firm has 140 employees and the day-to-day operations are managed by Mr. Visvanathan and Mr. K. Selvam, Partners.

For FY2014-15, DGM reported PAT of Rs.2.19 crore on operating income of Rs.57.03 crore as compared with PAT of Rs.2.01 crore on operating income of Rs.53.08 crore for FY2013-14.

Rating History:

Date	Name of the Instrument	Amount (Rs. crore)	Rating Assigned For		Rating Outlook
			Long Term	Short Term	
09 July, 2015	Cash Credit	9.50	SMERA BB+	-	Stable

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ABOUT SMERA

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