

July 24, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	40.00	SMERA BB/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.40.00 crore bank facilities of Ranka Jewellers (RJ). The outlook is '**Stable**'.

The rating derives comfort from the firm's long track record of operations, strategic location of showrooms and established presence in Pune region. The rating also derives comfort from the funds deployed by the partners in the form of partners' capital and interest free unsecured loans. The rating notes the firm's average financial risk profile marked by comfortable net worth and moderate interest coverage ratio. However the rating is constrained by the firm's working capital intensive operations coupled with high inventory levels. The rating notes that the firm's business is exposed to fluctuation in gold prices.

Outlook: Stable

SMERA believes RJ will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established presence in Pune. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while achieving substantial improvement in profit margins and debt-coverage metrics. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position. The rating may undergo a change in case of the withdrawal of capital or the unsecured loans brought in by the partners.

About the firm

Ranka Jewellers, established in 1882, is a Pune-based entity promoted by Mr. Gulabchand Ranka. RJ continued to be a single entity till 1996; later it was split between Ranka Brothers. The brand name "Ranka Jewellers" is used by all three entities managed by Ranka brothers under separate legal entities.

RJ owned by Mr. Omprakash Ranka and Mr. Vastupal Ranka has three showroom in Pune. The showrooms are located at prime locations like Karve Road, Hadapsar and Satara Road. Further the firm has plans to open fourth showroom at Baner in October 2015.

For FY2013-14, RJ reported profit after tax (PAT) of Rs.1.27 crore on operating income of Rs.252.28 crore, as compared with PAT of Rs.1.59 crore on operating income of Rs.201.25 crore in the previous year. For FY2014-15 (provisional), RJ reported operating income of Rs.228.97 crore.

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The firm's net worth stood at Rs.32.32 crore as on March 31, 2014, as compared with Rs.16.28 crore a year earlier.

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