



SMERA RATINGS LIMITED

**Dharneesh Gold Private Limited
(DGPL)****Rating
Rationale****July 27, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Gold Metal Loan*	4.95	SMERA BB+/Stable (Assigned)
Bank Guarantee (Proposed)	15.05	SMERA A4+ (Assigned)

**Sub limit is cash credit to the extent of Rs.4.95 crore.*

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.20.00 crore bank facilities of Dharneesh Gold Private Limited (DGPL). The outlook is '**Stable**'.

SMERA has consolidated the business and financial risk profiles of DGPL and Bhagya Laxmi Gems and Jewellers Private Limited - another group company, together referred to as the Bhagyaxmi Group. The consolidation is due to the common management, operational and financial synergies within the group.

The ratings are supported by the extensive experience of the promoters in the gems and jewellery industry, robust revenue growth over the past three years, comfortable working capital cycle, healthy RoCE and comfortable debt protection matrix. However, the ratings are constrained by the group's small network, thin profit margins and the susceptibility of the same to volatility in gold prices.

Outlook: Stable

SMERA believes the group will continue to benefit over the medium term from its experienced management and comfortable working capital cycle. The outlook may be revised to 'Positive' in case the group registers improvement in the profit margins or in the group's capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the group's profit margins or in the capital structure.

About the Group

The Bhagyaxmi group, established in 1910 by Andhra Pradesh based Agarwal family undertakes manufacturing and wholesale trading of gold jewellery.

For FY2014-15 (provisional), the group reported profit before tax (PAT) of Rs.1.91 crore on operating income of Rs.1329.48 crore, as compared with profit after tax (PAT) of Rs.0.75 crore on operating income of Rs.679.17 crore in the previous year. The group's net worth stood at Rs.6.40 crore (provisional) as on March 31, 2015, as compared with Rs.4.49 crore a year earlier.

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Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email : antony.jose@smera.in Web: www.smera.in	Vinay Chhawchharia Associate Vice President – Corporate Ratings Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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