Bhagya Laxmi Gems and Jewellers Private Limited (BLGJPL)

Rating Rationale

July 27, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB+/Stable (Assigned)
Bank Guarantee (Proposed)	15.00	SMERA A4+ (Assigned)

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 Bhagya Laxmi Gems and Jewellers Private Limited (BLGJPL). The outlook is **'Stable'**.

SMERA has consolidated the business and financial risk profiles of BLGJPL and Dharneesh Gold Private Limited - another group company, together referred to as the Bhagyalaxmi 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 networth, 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 Bhagyalaxmi 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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