

September 07, 2015

Facilities	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	5.50	<b>SMERA B-/Stable (Assigned)</b>

SMERA has assigned a long-term rating of '**SMERA B-**' (**read as SMERA B minus**) to the above mentioned bank facility of Vummidi Bangaru Srihari Sons (VBSS). The outlook is '**Stable**'. The rating is constrained by the firm's small scale of operations, muted revenue growth and weak financial profile marked by high gearing and low debt protection measures. The rating is also constrained by the uneven profit margin and negative cash flow from operations. However, the rating draws support from the extensive experience of the promoters in the gems and jewellery industry and negligible counterparty credit risk.

### **Outlook: Stable**

SMERA believes VBSS will maintain a stable business risk profile in the medium term on account of its experienced management and negligible counterparty credit risk. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving a sustained improvement in profit margins or in case of improvement in the company's capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or deterioration in the company's financial risk profile.

### **Rating Sensitivity Factors**

- Efficient working capital management
- Improvement in operating profit margin and financial risk profile.

### **About the Company**

VBSS established in 1990 is a Chennai-based partnership firm engaged in the trading and manufacturing of jewellery. The day-to-day operations are managed by the partners, Mr.Vumudi Prasanth and Vummudi Ajay Kumar.

For FY2013-14, VBSS reported profit after tax (PAT) of Rs. (0.33) crore on total operating income of Rs.12.18 crore, as compared with PAT of Rs.0.15 crore on total operating income of Rs.11.86 crore in FY2012-13.

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