

Shri Raj Jewels: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Packing Credit @	10.80	SMERA BB+/Stable (Reaffirmed)
Packing Credit (Standby limit 20%) @	2.16	SMERA BB+/Stable (Reaffirmed)
Post Shipment @	12.00	SMERA BB+/Stable (Reaffirmed)
PSC (Standby limit 20%) @	2.40	SMERA BB+/Stable (Reaffirmed)
WC Pre-shipment Credit (EPC)**	4.60	SMERA BB+/Stable (Reaffirmed)
WC Post Shipment Credit (PSC)**	15.40	SMERA BB+/Stable (Reaffirmed)
SLC Limit**	3.00	SMERA BB+/Stable (Reaffirmed)
Export Packing Credit/PCFC/Gold Loan #(1)	5.00	SMERA BB+/Stable (Reaffirmed)
FBP/PSCFC/FCBD/ODFOBC* # (2)	5.00	SMERA BB+/Stable (Reaffirmed)

@One way 50 per cent interchangeability of limits from PC to PSC, Advance against direct bills upto 100 per cent of post shipment limits and 20 per cent inbuilt adhoc to meet urgent credit needs for execution of export orders.

**100% interchangeability from pre-shipment to post-shipment and 50% from post shipment to pre-shipment and Finance against direct bills sublimit to the extent of 70% of sanctioned PSC limit

Maximum (1+2) = Rs.6.20 crore

* Sublimit of Direct export bills of Rs.3.75 crore, Sublimit of Bills on Associates of Rs.3.75 crore and Sublimit of Drawee wise Bills of Rs.2.50 crore.

SMERA has reaffirmed the long term rating of '**SMERA BB+**' (read as SMERA double B plus) on the Rs.56.56 crore bank facilities of Shri Raj Jewels (SRJ). The outlook is '**Stable**'.

The ratings continue to be supported by the firm's experienced management and above-average financial risk profile. However, the ratings are constrained by customer concentration risk, working capital intensive operations which resulted into high utilisation of bank limits. The ratings also note that the firm's business is exposed to volatility in forex rates and raw material prices.

Update

SRJ's revenues have increased to Rs.170.17 crore in FY2016 as against Rs.134.10 crore in FY2015 on account of healthy order executions. The firm earned revenue of Rs.78.97 crore (provisional) from April to August, 2016.

The operating margins declined from 12.24 per cent in FY2015 to 10.24 per cent in FY2016 due to fluctuations in raw material costs. SRJ's financial risk profile is marked by net worth of Rs.37.99 crore as on March 31, 2016, an increase from Rs.28.29 crore as on March 31, 2015 on account of retention of profits. Increase in networth along with repayment of unsecured loan of Rs.4.59 crore has improved gearing (debt-to-equity) level to 1.52 times as on March 31, 2016 from 2.17 times as on March 31, 2015. The interest coverage ratio stood at 4.59 times in FY2016.

However, SRJ continues to be exposed to customer concentration risk as the firm generated ~70 per cent revenue from a single customer - Su-Raj Inter Gold (Dubai & Hong Kong) in FY2015-16. The firm has made attempts to diversify customer base by expanding to other geographies.

The GCA days have reduced from 257 in FY2015 to 230 in FY2016 mainly on account of reduced inventory of 47 days in FY2016 as compared to 84 in FY2015 (inventory is maintained depending on the anticipation of raw material prices). The debtor days continue to be high at around 145 days

in FY2016. The working capital limit utilisation has been almost 100 per cent during March to August, 2016.

Rating Sensitivity Factors

- Scaling up of operations and improving operating profitability
- Fluctuations in forex rates
- Efficient working capital management and bank limit utilisation

Criteria applied to arrive at the rating:

- Manufacturing Entities

Outlook – Stable

SMERA believes SRJ will continue to maintain a stable outlook over the medium term owing to its experienced management and established relationships with customers. The outlook may be revised to 'Positive' in case of healthy growth in revenues while achieving sustained improvement in profit margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins or deterioration in the firm's financial risk profile and liquidity position.

About the Firm

SRJ is a Mumbai-based partnership firm, established in 2012 by Mr. Bharat Jain, Mr. Arvind Ranawat, Mr. Nikhil Ranawat and Mr. Praful Ranawat. SRJ was established after taking over SRR Jewels, which was operational from 2004. The firm is a 100 per cent export oriented unit (EOU) that manufactures and exports gold and diamond-studded jewellery at Andheri, Mumbai.

For FY2015-16, SRJ reported profit after tax (PAT) of Rs.9.69 crore on operating income of Rs.170.17 crore, as compared to PAT of Rs.8.92 crore on operating income of Rs.134.10 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
07 October, 2015	Export Packing Credit (EPC)/ Post Shipment Credit (PSC)	56.56	SMERA BB+ (Assigned)	-	Stable

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ABOUT SMERA

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