



SMERA RATINGS LIMITED

Gem Forgings Private Limited (GFPL)

Rating Rationale

January 23, 2016

Facilities	Amount (Rs. Crore)	Rating
Packing Credit	1.85	SMERA A4+ (Assigned)
Bank Guarantee	6.20	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.8.05 crore short term facility of Gem Forgings Private Limited (GFPL). The rating draws comfort from the company's moderate financial profile marked by modest net worth, gearing, coverage indicators and comfortable liquidity position. The rating also takes into account the long track record of operations and experienced management. However, the ratings are constrained by the small scale of operations and geographical concentration risk. The ratings are also constrained due to working capital intensive operations, susceptibility of profit margins to volatility in raw material prices and fluctuations in exchange rates.

Rating Sensitivity Factors

- Scaling of revenue while maintaining profit margins
- Efficient working capital management

About the Company

GFPL, incorporated in 1985 is a Kolkata-based merchant exporter of equipments used in health, electrical and tea processing industries. The company is promoted by Mr. Ajay Kumar Garg and Mr. Shashi Garg.

For FY2014-15, GFPL reported profit after tax (PAT) of Rs.0.34 crore on operating income of Rs.17.78 crore, as compared with PAT of Rs.0.32 crore on operating income of Rs.15.61 crore in FY2013-14.

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