

## Arasu Jewels

### Arasu Jewels: Assigned

Name of the Instruments	Amount (Rs Crore)	Rating/Outlook
Over Draft	4.25	SMERA B/Stable (Assigned)
Cash Credit	7.00	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) on the Rs.11.25 crore bank facilities of Arasu Jewels. The outlook is '**Stable**'.

The rating is constrained by the firm's uneven revenue trend, weak financial risk profile and working capital intensive operations. The rating also factors in the highly competitive and fragmented industry and exposure of the firm to raw material price volatility risk. However, the rating derives support from the established operational track record and experienced management.

The firm booked revenue of Rs.53.50 crore (provisional) in FY2015-16, a decline of around 19 per cent as compared to Rs.66.06 in the previous year. The weak financial risk profile is reflected in the high gearing of 5.60 times and low interest coverage ratio of 1.39 times as on March 31, 2015. While the operating margin of the firm has improved from 3.35 per cent in FY2013-14 to 5.19 per cent in FY2014-15, it remains susceptible to fluctuations in raw material prices.

However, the firm benefits from its experienced management. The day-to-day operations are managed by Mr. T. Murugan (Managing Partner) who possesses experience of around 17 years in gold jewellery retailing.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Efficient working capital management
- Weakening of the capital structure

#### Outlook-Stable

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

#### Criteria applied to arrive at the rating:

- Trading

## Arasu Jewels

### About the Firm

Arasu Jewels, part of the Arasu Group is a partnership firm established in 1999 by Mr. T. Murugan and family. The firm is engaged in the retailing of platinum, gold, silver and diamond jewellery through its showroom (spread over 2000 square feet area) at Thanjavur, Tamil Nadu.

The other companies of the group are Arasu Hyundai (Thanjavur and Trichy), Arasu Auto (Thanjavur and Thiruvarur), Arasu Auto Mobiles, Shree Motors and Shree Collections.

For FY2014-15, Arasu Jewels reported net profit of Rs.0.98 crore on operating income of Rs.66.06 crore as compared with net loss of Rs.0.03 crore on operating income of Rs.61.11 crore for FY2013-14.

### Contacts:

Analytical	Media
Mr. Mohit Jain Vice President – Ratings Operation, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

### ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.