

### 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

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 Thiruvavur), 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.

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