



Press Release

Arasu Jewels

September 25, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 11.25 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed 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**'.

Arasu Jewels (AJ) is a partnership firm established in 1999 by Mr. T. Murugan and family. The firm is engaged in the retailing of gold, silver, platinum and diamond jewellery through its showroom (spread over 2000 square feet area) in Thanjavur, Tamil Nadu. The day-to-day operations are led by Mr. R. Thirunavukkarasu (Managing Partner) who possesses experience of over a decade in the industry.

Key Rating Drivers

Strengths

- Experienced management, established presence in the industry**

Established in 1999, the operations are managed by Mr. R. Thirunavukkarasu, Managing Partner, who has experience of more than a decade in the business.

- Moderate financial risk profile**

The financial risk profile is moderate marked by comfortable gearing of 0.90 times in FY2016-17 (Provisional) as against 0.55 times in FY2015-16. The interest coverage ratio stood at 1.87 times for FY2016-17 (Provisional) as against 1.52 times in FY2015-16. The firm has a net worth of Rs.10.98 crore in FY2016-17 (Provisional) as against Rs.12.66 crore in FY2015-16. Further, the firm has advanced loans of ~Rs.5.87 crore to group concerns in FY2016-17 (Provisional) as against Rs.4.74 crore in FY2015-16.

Weaknesses

- Partnership constitution**

The firm is exposed to risk of capital withdrawal considering its partnership constitution.

- Uneven revenue trend**

In FY2015-16, the firm reported operating income of Rs.53.29 crore, a 19 percent decline in operating revenue over the previous year. In FY2016-17 (Provisional), the firm registered revenue of Rs.58.57 crore, a 10 percent growth in operating income as compared to FY2015-16. The decline in sales during FY2015-16 was due to heavy rainfall during November - December 2015 which led to reduced footfalls.

- Profit margins exposed to raw material price fluctuations**

The prices of raw material - gold and silver are highly volatile. Hence, the profit margins are exposed to fluctuations in raw material prices that can affect margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the entity.

Outlook: Stable

SMERA believes that AJ will maintain a stable outlook over the medium term owing to its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case 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 or profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional) AJ reported Profit after Tax (PAT) of Rs.0.95 crore on operating income of Rs.58.57 crore compared to PAT of Rs.0.98 crore on operating income of Rs.53.29 crore in FY2015-16. The net worth stood at Rs.10.98 crore as on 31 March, 2017 (Provisional) against Rs.12.66 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Jun-2016	Secured Overdraft	Long Term	INR 4.25	SMERA B / Stable
	Cash Credit	Long Term	INR 7	SMERA B / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.25	SMERA B / Stable

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