

Press Release

Pratiksha Gems

March 21, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 6.00 crore bank facilities of Pratiksha Gems. The outlook is '**Stable**'.

Pratiksha Gems (PG) incorporated in 2002 is engaged in the processing of diamonds.

Key Rating Drivers

Strengths

- **Experienced management**

The partners, Mr Dineshbhai Mania, Mr Devrajbhai Mania and Ashokbhai Mania have more than three decades of experience in the above mentioned line of businesss.

- **Average financial risk profile**

The gearing (debt-to-equity ratio) of PG stood at 1.62 times as on March 31, 2016 as compared to 1.48 times in the previous year. Further, the Interest coverage ratio stood at 1.20 times in FY2015-16 as compared to 1.23 times in the previous year. The Debt Service coverage ratio stood at 1.20 times in FY2015-16. The net worth stood at a low of 3.69 cr as on March 31, 2016.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive reflected in the working capital cycle of 117 days and gross current asset (GCA) days of 339 that emanate from debtors of 181 days and inventory holding of 161 days in FY2016.

- **Highly competitive industry**

PG operates in the highly competitive gems and and jewellery industry which limits the bargaining power of the firm.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of PG.

Outlook: Stable

SMERA believes that PG will maintain a stable outlook and benefit over the medium term on account of its experienced management. The outlook may be revised to Positive in case the firm registers higher-than-expected revenue and profitability while improving its financial risk profile and liquidity position. Conversely, the outlook may be revised to Negative in case of steep decline in revenues and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2016, PG reported net profit of Rs.0.09 cr on net sales of Rs.23.37 cr as compared to net profit of Rs.0.09 cr on net sales of Rs.20.13 cr in the previous year. The tangible Net worth for FY2016 stood at Rs.3.61 cr.

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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)

Not Applicable

***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	4.82	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	30-Nov-2017	0.10	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	31-Oct-2024	0.87	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.21	SMERA B+ / Stable

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ABOUT SMERA

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