

Press Release

Micro Jewels And Diamonds Private Limited

01 September, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 22.25 Cr.
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 22.25 crore bank facilities of Micro Jewels And Diamonds Private Limited.

Established in 2009, Micro Jewels And Diamond Private Limited (MJADPL) is a Bangalore based company engaged in the manufacturing of 22 carat gold jewellery, medals and coins. Currently, the company is managed by Mr D.P Naresh.

Key Rating Drivers

Strengths

- **Experienced management:**

MJADPL incorporated in 2009 is led by Mr D.P Naresh who has extensive experience in the jewellery industry.

- **Modest working capital management:**

MJADPL has modest working capital management marked by GCA days of 45 and 50 in FY2017 (Provisional) and FY2016. This is mainly because the company does not maintain inventory for a long time period (the inventory days are nil at the year end) as the products are all order backed and done in accordance with the customisations preferred by customers. The debtor days stood at 43 days in FY2017 (provisional) and FY2016. The creditors stood at 90 days and 48 days in FY2017 (provisional) and FY2016.

Weaknesses

- **Moderately low scale of operations:**

Despite having commenced commercial operations a r o u n d four decades ago, the scale of business is still moderate. The operating income fell to Rs.24.34 crore in FY2016 compared to Rs.26.74 crore in FY2015 mainly on account of low procurement in FY2016. As of March 2017, the company registered revenue of Rs.29.81 crore.

- **Weak financial risk profile:**

The company has a weak financial risk profile marked by high gearing, low net worth base and low debt protection measures. The gearing stood high at 7.27 times and 13.77 times in FY2017 (Provisional) and FY2016. Such high gearing is mainly on account of low net worth. The gearing improved in FY2017 (provisional) mainly on account of repayment of long term unsecured loans. The net worth stood low at Rs.2.21 and Rs.1.70 in FY2017 (provisional) and FY2016 respectively. The ICR

and DSCR stood at 1.19 times in FY2017 (Provisional). The NCA/TD stood low at 0.03 times in FY2017 (Provisional) and FY2016.

Analytical Approach

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

About the Rated Entity - Key Financials

The company reported PAT of Rs 0.40 crore as against operating income of Rs.132.74 in FY2017 (Provisional) compared to PAT of Rs.0.21 crore as against operating income of Rs.191.64 crore in FY2016.

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

NA

Any other information

NA

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. Crore.)	Ratings/Outlook
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	22.25	SMERA A4

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