

November 26, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of **'SMERA B+' (read as SMERA B Plus)** to the Rs.10.00 crore long-term bank facilities of Yeshwant Vithal Marathe Private Limited (Yeshwant). The outlook is **'Stable'**. The rating is constrained by the company's modest scale of operations and exposure to intense competition prevalent in the jewellery retailing industry, which is currently facing a weak demand scenario. The rating is further constrained by the susceptibility of the company's profit margins to volatility in gold prices. However, the rating derives comfort from the company's experienced management and ability to churn inventory faster in comparison to peers.

Yeshwant, incorporated in 1949, is a Thane-based gold, silver and diamond jewellery retailer. The company derives about 90 per cent of its revenues from sale of gold jewellery. Yeshwant currently operates three showrooms. The company has a modest scale of operations with revenues of Rs.61.51 crore in FY2012-13 (refers to financial year, April 01 to March 31). Yeshwant faces intense competition from small jewellery retailers and large organised players with pan-India presence. SMERA believes that inflationary pressure and high interest rate scenario has resulted in subdued demand for gold, which has an adverse impact on Yeshwant's business performance. Yeshwant's profit margins are highly susceptible to volatility in gold prices; any adverse movement in gold prices may also lead to inventory losses for the company.

Yeshwant benefits from its experienced management team. Mr. Shantanu Marathe and Mr. Anand Marathe, Directors of Yeshwant, are third-generation entrepreneurs with more than 20 years of experience in the jewellery industry. Yeshwant's inventory turnover ratio (4.5 times to 5 times) is higher in comparison to the inventory turnover ratio (3 times to 3.5 times) of large jewellers. A relatively high inventory turnover ratio entails lower working capital requirements and indicates greater acceptability of the company's products.

Outlook: Stable

SMERA believes that Yeshwant will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and profitability with improvement in debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the company's financial risk profile on account of adverse movement of gold prices or in case of a stretch in the working capital cycle.

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About the company

Yeshwant was incorporated in 1949 by late Mr. Yeshwant Vithal Marathe and late Mrs. Sudhatai Yeshwant Marathe. The company is currently headed by Mr. S. V, Marathe. Yeshwant retails gold, silver and diamond jewellery. The company has three showrooms in Thane, Maharashtra.

For FY2012-13, Yeshwant registered revenues of Rs.61.51 crore and profit after tax of Rs.0.31 crore in comparison with revenues of Rs.54.67 crore and profit after tax of Rs.0.51 crore for FY2011-12. The company's net worth stood at Rs.2.93 crore as on March 31, 2013.

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