

June 08, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	25.00	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (**read as SMERA Single B plus**) to the abovementioned bank facility of Chawla Jewellers (Chawla). The outlook is '**Stable**'.

The ratings are constrained by volatility in firm's topline and working capital intensive operations. The rating is further constrained by intense competition prevalent in the jewellery industry. However, the ratings are supported by the firm's experienced management, established presence in Delhi/NCR region and Moderate financial risk profile.

Chawla, incorporated in 1995, is a Delhi-based firm engaged in manufacturing & trading of gold jewellery, diamond studded gold jewellery and gold bars.

Chawla's sales have remained volatile over the past 3 years, it fluctuated from Rs. 126.70 crores in FY2011-12 to Rs. 75.06 crores in FY2013-14(refers to financial year, April 01 to March 31). Topline of the firm is expected to increase by ~15% in FY2014-15 as compared to previous year. Chawla has working capital intensive operations, with gross current assets (GCA) in the range of 350-450 days over the past two years. Owing to these high working capital requirements, the firm's cash credit limit utilisation (Rs.25.00 cr) was high during the past six months. Chawla faces intense competition from several players in the Jewellery industry.

Mr. O.P Chawla, partner of Chawla, has more than two decades of experience in the firm's line of business, and the firm has established long standing relationship with its key customers and suppliers. Firm has an established presence in the Delhi/NCR with 4 showrooms operating in Delhi (Karol Bagh, Greater Kailash, Rajouri Garden and South Ex.) and one showroom in Gurgaon, Haryana. Chawla's moderate financial risk profile is marked by low gearing of 0.69 times as on 31st March 2014 and moderate interest coverage indicator of 1.46 times as on 31st March 2014(refers to financial year, April 01 to March 31). The firm's total debt of Rs.37.59 crore (as on March 31, 2014) includes subordinated unsecured loans of Rs.16.40 crore from related parties. SMERA has treated such unsecured loans as quasi-equity.

Outlook: Stable

SMERA believes that Chawla Jewellers will continue to benefit from the extensive experience of its promoter in the jewellery industry. The outlook may be revised to 'Positive' in case the company registers better-than-expected growth in its revenues and accruals, while maintaining its debt protection metrics, or if its business risks profile improves through greater geographical diversification. Conversely, the outlook may be revised to 'Negative' if firm registers lower-than-

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expected revenues and profitability or in case of lengthening of its working capital cycle, resulting in deterioration in its debt coverage metrics.

About the Firm

Chawla, incorporated in 1995, is a Delhi-based firm engaged in manufacturing & trading of gold jewellery, diamond studded gold jewellery and gold bars. All the partners are actively engaged in the day to day operations of the firm. Chawla has four showrooms in Delhi (Karol Bagh, Greater Kailash, Rajouri Garden, and South Ex.) & one showroom in Gurgaon.

For FY2013-14, Chawla reported profit after tax (PAT) of Rs.0.50 crore on an operating income of Rs.75.06 crore, as compared with PAT of Rs.0.49 crore on an operating income of Rs.95.35 crore in FY2012-13. The firm's net worth stood at Rs.30.94 crore (including unsecured loans of Rs.16.40 crore) as on March 31, 2014, as compared with Rs.27.92 crore (including unsecured loans of Rs.14.93 crore) a year earlier.

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