

March 07, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.50	SMERA B-/Stable (Assigned)
Post Shipment Finance	7.50	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B-**' (read as **SMERA single B minus**) to the Rs.2.50 crore long-term bank facilities and '**SMERA A4**' (read as **SMERA A four**) to the Rs.7.50 crore short-term bank facilities of SJ Corporation Ltd. (SJCL). The outlook is '**Stable**'. The ratings are constrained by the company's modest scale of operations and high level of customer concentration. The ratings are also constrained by SEBI's ongoing investigation against the promoters of SJCL. However, the ratings are supported by the company's experienced management and moderate profit margins.

SJCL, incorporated in 1987, is a Mumbai-based company engaged in manufacturing and export of diamond-studded jewellery. SJCL has modest-scale operations reflected in revenues of Rs.15.88 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company is exposed to high level of customer concentration risk as it caters to only four traders (based in Hong Kong). SJCL's credit risk profile is thus highly susceptible to delays in collection of dues from debtors and lower-than-expected orders from customers.

SJCL's promoters are facing an ongoing investigation by SEBI. The aforementioned investigation is related to stock price manipulation. Any unfavourable verdict on the ongoing investigation may lead to severe disciplinary actions against the company and its promoters.

SJCL benefits from its experienced management. The promoters of the company have around three decades of experience in the gems and jewellery industry. SJCL was debt-free in the past. The company has recently received sanction for foreign currency bill discounting facility of Rs.7.50 crore and cash credit facility of Rs.2.50 crore. SJCL's net worth stood at Rs.8.53 crore as on March 31, 2013. The company is expected to maintain a moderate financial risk profile over the medium term.

Outlook: Stable

SMERA believes that SJCL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive', in case the company achieves a sustained improvement in profit margins while maintaining comfortable revenue growth. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the company's revenue and profit margins, or in case of stretch in the company's working capital cycle.

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Rating sensitivity factors

- Outcome of the ongoing SEBI investigation
- Large capex plans

About the company

SJCL, incorporated in 1987, is a Mumbai-based company promoted by Mr. Savji Patel. SJCL is engaged in manufacturing and export of diamond-studded jewellery. The company has a manufacturing unit in Surat (Gujarat), with total installed capacity of 1,00,000 pieces per annum.

For FY2012–13, SJCL reported PAT of Rs.0.48 crore on net sales of Rs.15.88 crore, as compared with PAT of Rs.0.42 crore on net sales of Rs.10.07 crore for FY2011–12. The company's net worth stood at Rs.8.53 crore as on March 31, 2013, as compared with Rs.8.15 crore a year earlier.

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