

**February 08, 2016**

Facility	Amount (Rs. Crore)	Rating
Post Shipment Finance	10.00*	SMERA A4 (Reaffirmed)

*Sublimit Packing Credit Foreign Currency limit of Rs. 5.00 crore.

SMERA has reaffirmed the short-term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.10.00 crore bank facility of S J Corporation Limited (SJCL). The rating remains constrained by SEBI's ongoing investigation against the promoters of SJCL. The rating is also constrained by the modest-scale of operations. The aforementioned weaknesses are partially offset by the company's experienced management.

Update

SJCL's promoters are facing an investigation by SEBI for manipulation of stock prices. As per the minutes of SEBI's order, the investigation was to conclude by March 2011. However, the investigation is on hold at present. SMERA believes that any unfavourable verdict on the ongoing investigation may lead to severe disciplinary action against SJCL and its promoters.

SJCL has modest-scale of operations with revenues of Rs.47.52 crore in FY2014-15 (refers to financial year, April 01 to March 31), as compared with revenue of Rs.42.64 crore in FY2013-14. During FY2015-16, the company reported revenue of Rs.29.69 crore (from April 2015 to December 2015, source BSE). SJCL's debt-equity ratio was 1.09 times as on March 31, 2015 and the company's interest coverage ratio stood at 1.28 times in FY2014-15.

SJCL's promoters have around three decades of experience in the gems and jewellery industry.

Rating Sensitivity Factors

- Outcome of ongoing SEBI investigation
- Ability to scale up operations while improving profitability
- Larger than expected debt-funded capex or working capital requirements

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**About the Company**

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

For FY2014–15, SJCL reported profit after tax (PAT) of Rs.0.00 crore on operating income of Rs.47.52 crore, as compared with PAT of Rs.0.84 crore on operating income of Rs.42.64 crore in FY2013–14.

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