



SMERA RATINGS LIMITED

**Ks Jewellery & Co. (KJC)****Rating  
Rationale****December 28, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Export Packing Credit (EPC)	8.00	SMERA BB+/Stable (Reaffirmed)
Post Shipment Credit (PSC)	8.00	SMERA BB+/Stable (Reaffirmed)
Bank Guarantee	0.75	SMERA A4+ (Reaffirmed)
EPC/PSC (proposed)	3.45	SMERA BB+/Stable (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and a short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.20.20 crore bank facilities of Ks Jewellery & Co. (KJC). The outlook is '**Stable**'. The ratings draw comfort from the firm's established track record of operations and experienced management. The ratings also draw comfort from the firm's established relations with customers. However, the ratings remain constrained by the firm's low net profit margin. The ratings are also constrained by the firm's exposure to customer concentration risk in an intensely competitive segment of the jewellery industry. The ratings note that the firm's profit margins are susceptible to volatility in raw material prices and fluctuations in foreign exchange rates.

**Update**

KJC registered net profit of Rs.0.69 crore on net sales of Rs.93.77 crore in FY2014-15, as compared with net profit of Rs.0.73 crore on net sales of Rs.105.84 crore in FY2013-14. The firm registered net sales of Rs.55 crore (provisional) for the period April 2015 to November 2015.

KJC remains exposed to high level of customer concentration as the firm derives ~90 per cent of its revenues from five customers. However, the firm benefits from its long-standing relations with customers.

KJC's profitability is susceptible to adverse fluctuations in gold prices and foreign exchange rates. The aforementioned risks are partially offset by the firm's practice of procuring gold against confirmed orders and hedging export receivable through forward contracts. KJC reported operating profit margin of 2.38 per cent in FY2014-15. The firm's operating profit margin is expected to improve in FY2014-15 on account of decline in employee expenses and inventory holding cost. KJC's net profit margin has remained low at 0.74 per cent in FY2014-15.

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**Rating  
Rationale**

### Rating sensitivity factors

- Improvement in operating profitability
- Working capital management

### Outlook: Stable

SMERA believes that KJC will continue to benefit over the medium term from its experienced management. The firm is also poised to benefit from the government's focus on increasing gems and jewellery exports. The outlook may be revised to 'Positive' in case the firm achieves a sustained improvement in revenues and profitability without a corresponding deterioration in liquidity position and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of major deterioration in the firm's capital structure and liquidity position.

### About the Firm

KJC, established in 1997, is a Mumbai-based partnership firm promoted by Mr. Ajay F. Jhaveri. The overall operations of the firm are managed by Mr. Apurva Ajay Jhaveri (son of Mr. Ajay F. Jhaveri). KJC is engaged in manufacturing and export of gold and platinum jewellery studded with diamonds and precious stones. The firm is a 100% Export Oriented Unit (EOU) catering to wholesalers and retailers in Europe, USA and UK. KJC has a manufacturing facility in Mumbai. The firm's associate concern (M. Shashikant & Co.) is engaged in trading of cut and polished diamonds since four decades.

For FY2014-15, KJC reported profit after tax of Rs.0.69 crore on net sales of Rs.93.77 crore; as compared with profit after tax of Rs.0.73 crore on net sales of Rs.105.84 crore in the previous year. Further, the firm reported net sales of Rs. 55 crore (provisional) during April 2015 to November 2015. KJC's net worth stood at Rs.10.70 crore as on March 31, 2015, as compared with Rs.10.54 crore a year earlier.

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Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a> Web: <a href="http://www.smera.in">www.smera.in</a>	Vinay Chhawchharia Associate Vice President – Corporate Ratings Tel: +91-22-6714 1156 Email: <a href="mailto:vinay.chhawchharia@smera.in">vinay.chhawchharia@smera.in</a>	Tel: +91-22-6714 1184 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

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