

May 09, 2014

Facility	Amount (Rs. Crore)	Rating
Proposed Cash Credit Limit	20.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (**read as SMERA B minus**) to the Rs.20.00 crore proposed bank facilities of Ambica Gold (Ambica). The outlook is '**Stable**'. The rating is constrained by the projected deterioration in the firm's financial risk profile on account of high level of borrowings expected in the medium term. The rating is also constrained by the firm's low net worth, small operating scale and weak profit margins in an intensely competitive segment of the gold jewellery industry. However, the rating is supported by the firm's long track record of operations and experienced management.

Ambica, established in 2004, is a Mumbai-based firm engaged in trading of gold jewellery. Ambica has recently applied for cash credit limit of Rs.9.00 crore. The firm's net worth is low at Rs.2.40 crore (provisional) as on March 31, 2014. Moreover, Ambica's net cash accruals will be strained on account of interest payments (of ~0.11 crore per annum) on home loan availed by the proprietor in FY2012-13 (refers to financial year, April 01 to March 31). The firm's financial risk profile may thus deteriorate in the medium term on account of the expected rise in borrowings and the resultant increase in debt servicing obligation. Ambica has small-scale operations reflected in revenues of Rs.39.29 crore in FY2012-13. The firm's net profit margin is low at 0.82 per cent in FY2012-13. Ambica faces intense competition from several players in the unorganized sector of the gold jewellery industry.

Ambica benefits from its experienced management. Mr. Ashok Shah, proprietor of Ambica, has around ten years of experience in the gold jewellery industry.

Outlook: Stable

SMERA believes the outlook on Ambica's rated facilities will remain stable in the medium term. The firm is likely to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving healthy profit margins. The outlook may be revised to 'Negative' in case of further deterioration in the firm's profit margins.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the firm

Ambica, established in 2004, is a Mumbai-based proprietorship firm promoted by Mr. Ashok Shah. Ambica is engaged in trading of gold jewellery. The firm has a shop in Zaveri Bazaar, Mumbai.

For FY2012-13, Ambica reported profit after tax of Rs.0.34 crore on net sales of Rs.39.29 crore, as compared with profit after tax of Rs.0.27 crore on net sales of Rs.14.34 crore in the previous year. Further, the firm reported net sales of Rs.50.49 crore (provisional) in FY2013-14. Ambica's net worth stood at Rs.0.21 crore as on March 31, 2013, as compared with Rs.0.72 crore a year earlier.

Contact List:

Media/ Business Development	Analytical Contacts	Rating Desk
Sanjay Kher Head – Sales, Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : sanjay.kher@smera.in Web: www.smera.in	Umesh Nihalani Head – Corporate Ratings Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.