



SMERA RATINGS LIMITED

Shree Mukta Jewellers Baroda Private Limited (SMJBPL)

Rating Rationale

July 30, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	70.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Term Loan	31.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Letter of Credit	100.00	SMERA A3 (Upgraded from SMERA A4+)

SMERA has upgraded the long-term rating on Rs.101.00 crore bank facilities of Shree Mukta Jewellers Baroda Private Limited (SMJBPL) to '**SMERA BBB-**' (read as **SMERA triple B minus**) from '**SMERA BB+**' (read as **SMERA double B plus**). The outlook is '**Stable**'. SMERA has also upgraded the short-term rating on Rs.100.00 crore bank facilities of SMJBPL to '**SMERA A3**' (read as **SMERA A three**) from '**SMERA A4+**' (read as **SMERA A four plus**).

The upgrade reflects the significant improvement in SMJBPL's business risk profile, primarily driven by consistent growth in the company's revenues and operating profitability; the growth is expected to continue going forward. The upgrade also factors the consistent improvement in SMJBPL's financial risk profile, primarily driven by infusion of funds by way of equity capital coupled with interest free unsecured loans and accretion to reserves.

The ratings continue to derive support from the company's long track record of operations, established market position, strategic showroom locations and experienced management. The ratings are also supported by the company's improved financial risk profile. However, the ratings are constrained by the company's working capital-intensive operations. The ratings also note that the company's business is exposed to fluctuation in gold and silver prices, and intense competition prevalent in the gems and jewellery industry.

Update

For FY2014-15 (CA certified provisional financial statements), SMJBPL reported profit after tax (PAT) of Rs.11.72 crore on operating income of Rs.593.28 crore, as compared with PAT of Rs.2.47 crore on operating income of Rs.171.63 crore in FY2012-13. SMJBPL's financial risk profile is marked by net worth of Rs.73.12 crore as on March 31, 2015, as compared with Rs.34.82 crore as on March 31, 2013. The company has subordinated interest-free unsecured loans of Rs.17.95 crore (as on March 31, 2015) from promoters and related parties. SMERA has treated such unsecured loans as quasi-equity.

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.



SMERA RATINGS LIMITED

Shree Mukt Jewellers Baroda Private Limited (SMJBPL)

*Rating
Rationale*

SMJBPL's operating profit margin has improved to 6.31 per cent in FY2014-15 vis-à-vis 5.75 per cent in FY2012-13. The leverage stood at 1.25 times as on March 31, 2015 and interest coverage ratio of 2.43 times in FY2014-15.

Outlook: Stable

SMERA believes SMJBPL will continue to benefit over the medium term from its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in profit margins while maintaining healthy revenue growth, or in case of improvement in the company's working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the company's revenues or profitability. The outlook may also be affected by major deterioration in the company's capital structure on account of higher-than-expected debt-funded working capital requirements.

About the company

SMJBPL was established as a proprietorship firm (named Shree Mukt Jewellers) in 1975 and converted to a private limited company in 2013. The overall operations of the company are managed by Mr. Haresh Soni. SMJBPL is engaged in retailing and trading of gold jewellery, silver ornaments and diamond studded jewellery. The company has two showrooms in Alkapuri, Vadodara (Gujarat).

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 98208 02479 Email: antony.jose@smera.in	Vinay Chhawchharia Associate Vice President – Corporate Ratings Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 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.