

Press Release

21 March, 2017

Sumangalee Jewellers

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.9.09 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of **'SMERA B+' (read as SMERA B plus)** on the Rs. 7.00 crore bank facility. The outlook is **'Stable'**. Further, SMERA has withdrawn the long term rating of **'SMERA B+' (read as SMERA B plus)** on the Rs.2.09 crore bank facility of Sumangalee Jewellers (SJ).

The Tamil Nadu-based SG Group is engaged in the retailing of gold jewellery and silver ornaments since 2013. The group comprises Sumangalee Jewellers (established in 1996) and AMR Sumangalee Jewellers (established in July 2013). The day-to-day operations of the group are managed by Mr. P. Arumugam, Mr. P. Manivel, Mr. P. Ravikumar and others.

Key Rating Drivers

Strengths

- **Extensive industry experience of promoters**

The partners have more than 20 years of experience in the aforementioned industry and have established relations with key suppliers of readymade gold jewellery over the years.

- **Moderate financial risk profile**

The SJ group has moderate financial risk profile marked by moderate networth of Rs.10.06 cr as on March 31, 2016 as against Rs. 8.89 cr as on March 31, 2015. The gearing of the group stood comfortable at 1.52 times as on March 31, 2016 compared to 2.00 times as on March 31, 2015. However, the total debt of Rs.15.34 cr comprises majorly of short term borrowings of Rs.12.66 cr and unsecured loans from promoters and others of Rs.2.68 cr. The ICR stood low at 1.44 times in FY2016 as against 1.31 times in FY2015. The DSCR stood at 1.36 times in FY2016 as against 1.27 times in FY2015. The NCA/TD remained at 0.06 times in FY2016 and 0.04 times in FY2015. The ROCE stood healthy at 12.53 per cent in FY2016 compared to 11.74 per cent in FY2015.

- **Improvement in profit margin**

The operating margin improved to 5.13 per cent in FY2015-16 from 4.86 per cent in FY2014-15. The firm registered PAT margins of 0.94 per cent in FY2015-16 and 0.57 per cent in FY2014-15.

Weaknesses

- **Fluctuations in raw material prices**

The major raw materials procured by the firm are gold and diamond, the prices of which are highly volatile. Hence the profit margins are exposed to fluctuations in raw material prices.

- **Intense competition**

The group faces intense competition from other retailers in the locality which is likely to have an impact on its operating performance and profitability.

• **Low profitability**

The net profit margin stood at 0.94 per cent in FY2015-16 as against 0.57 per cent in FY2014-15.

Analytical Approach

SMERA has consolidated the business and financial profiles of Sumangalee Jewellers (SJ) & AMR Sumangalee Jewellers (ASJ) together referred to as the Sumangalee Group (SG). The consolidation is in view of the common ownership and similarity in the lines of business.

Outlook: Stable

SMERA believes that the entity will maintain a stable outlook and continue to benefit over the medium term from the promoters' extensive experience in the gems and jewellery industry. The outlook may be revised to 'Positive', if the firm achieves sustained improvement in profit margins while maintaining comfortable revenue growth. Conversely, the outlook may be revised to Negative in case of a significant decline in revenue and profit margins. The outlook may also be affected by major deterioration in the capital structure on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, SG reported net profit of Rs.0.61 cr on operating income of Rs.65.27 cr as compared with net profit of Rs.0.38 cr on operating income of Rs.66.09 cr for FY2014-15. The networth of the group stood at Rs.10.06 cr as on 31st March 2016 as compared to Rs.8.89 cr as on 31st March 2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Nov-2015	Cash Credit	Long Term	INR 7	SMERA B+ / Stable
	Proposed	Long Term	INR 2.09	SMERA B+ / Stable
16-Jul-2014	Cash Credit	Long Term	INR 7	SMERA B+ / Stable
	Term Loans	Long Term	INR 2.09	SMERA B+ / Stable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B+ / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.09	SMERA B+ / Stable (Withdrawn)

Contacts:

Analytical	Rating Desk
<p>Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in</p> <p>Vishal Choudhary Rating Analyst Tel: 022-67141159 vishal.choudhary@smera.in</p>	<p>Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in</p>

ABOUT SMERA

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