

Press Release

17 March, 2017

AMR Sumangalee Jewellerrs

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.8.00 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. 8.00 crore bank facilities of AMR Sumangalee Jewellerrs. The outlook is 'Stable'.

The Tamil Nadu-based SG Group is engaged in the retailing of jewellery since September 2013 through its two firms 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 possess more than 20 years of experience in the gems and jewellery industry. The firm has also established relations with suppliers.

- **Moderate financial risk profile**

The SJ group has moderate financial risk profile marked by networth of Rs.10.06 cr as on March 31, 2016 as against Rs.8.89 cr as on March 31, 2015. The gearing 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 the group of Rs.15.34 cr comprises mainly 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 margins**

The operating margin improved during FY2014-15 to FY2015-16. The firm registered operating margin of 5.13 per cent in FY2015-16 as against 4.86 per cent in FY2014-15. Similarly, the firm registered PAT margins of 0.94 per cent in FY2015-16 as compared to 0.57 per cent in FY2014-15.

Weaknesses

- **Profit margins exposed to fluctuations**

Gold and diamonds are the major raw materials. The prices of these are highly volatile and hence the profit margins are exposed to raw material price fluctuations.

- **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 financial and business 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 continue to benefit over the medium term from the promoter's 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 deterioration in the capital structure on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, the SG group 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 8	SMERA B+ / Stable
16-Jul-2014	Cash Credit	Long Term	INR 8	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	8.00	SMERA B+ / Stable

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ABOUT SMERA

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