

Fusion Jewellery Manufacturing Company Private Limited

Instrument	Amount Rated	Rating Action
ST Scale - Fund Based Limits	Rs. 7.50 Crore	[ICRA]A4 Reaffirmed

ICRA has reaffirmed the short term rating of [ICRA]A4 (pronounced ICRA A four) for Rs. 7.50 Crore¹ fund based bank facilities of Fusion Jewellery Manufacturing Company Private Limited (FJMCPL)².

The rating reaffirmation continues to be constrained by FJMCPL's small scale of operations and sluggishness in realization of receivables resulting in stretched liquidity position in FY2016, necessitating high utilization of working capital limits. The receivables position continue to remain stretched given that the company derives majority of its revenues from its overseas group concern - Lucent Jewellers Inc. Around 88% of sales in FY2016 was derived from its overseas group company. Further, the rating also takes into account, the low profitability and weak coverage ratios. High competitive intensity inherent in the gems and jewellery business further exerts pressure on the company's profitability.

With 100% export sales profile, the revenues of the company continue to remain vulnerable to the economic conditions in key international markets. Additionally, the revenues of the company continue to remain vulnerable to foreign exchange fluctuations, albeit the currency risk is partly mitigated by a natural hedge from imports in absence of any hedging mechanism.

The rating however, considers the experience of the promoters in the jewellery business and marketing support from its group concern.

ICRA expects FJMPL's revenues to grow by 10% in FY2017, compared to that during FY2016. FJMPL's operating profits would remain vulnerable to adverse movements in prices of key input materials like diamonds, colour stones, silver along with fluctuations in foreign exchange rates. Going forward, the company's ability to bring about a meaningful reduction in its receivables and inventory holding period, and protect/improve profitability levels against volatilities in input prices and foreign exchange fluctuations constitute the key rating sensitivity factors.

Company Profile

Promoted by Mr. Nanubhai Savalia and Mr. Priyesh Dudhat in FY 2003, Fusion Jewelry Manufacturing Company Private Limited (FJMCPL) commenced operations from FY 2005. The company is engaged in the business of manufacturing and exporting low quality diamond and coloured stone jewellery, set in gold and silver. The company has a registered office and a manufacturing facility at Santa Cruz Electronic Export Promotion Zone (SEEPZ), Andheri.

The group companies: - Lucent Jewellers Inc is into the business of trading diamonds, silver as well as jewellery, N D Gems and Nil Diamond Inc are into the business of trading of diamond, silver and gold. Savalia Group LLC is engaged in sale of jewellery.

Recent Results

FJMCPL recorded a net profit of Rs. 0.68 Crore on an operating income of Rs. 29.04 Crore for the year ending March 31, 2016 (provisional).

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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