



Press Release

Sky Gold Limited

August 23, 2024

Ratings

Security Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	217.84 (reduced from 247.00)	IVR BBB-; Stable and withdrawn (IVR Triple B Minus with stable outlook and simultaneously withdrawn)	IVR BB+; Negative; ISSUER NOT COOPERATING (IVR Double B Plus with Negative outlook; ISSUER NOT COOPERATING)	Upgraded with revision in outlook from Negative to Stable and removed from ISSUER NOT COOPERATING category and simultaneously withdrawn	Simple
Long Term/ Short Term Bank Facilities	3.00	IVR BBB-; Stable/ IVR A3 and withdrawn (IVR Triple B Minus with Stable outlook/ IVR A Three and simultaneously withdrawn)	IVR BB+; Negative; ISSUER NOT COOPERATING/ IVR A4+; ISSUER NOT COOPERATING (IVR Double B Plus with Negative outlook/ IVR A Four Plus; ISSUER NOT COOPERATING)	Upgraded with revision in outlook from Negative to Stable and removed from ISSUER NOT COOPERATING category and simultaneously withdrawn	Simple
Total	220.84 (Rupees two hundred and twenty crore and eighty-four lakhs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has removed the ratings assigned to the bank facilities of Sky Gold Limited (SGL) from Issuer Not Cooperating category based on adequate information received from the company to review its ratings.

The upgrade of ratings assigned to the bank facilities of SGL considers healthy growth in revenue of the company with moderate operating profit and adequate financial risk profile.



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Moreover, the ratings also continue to factor in experience of the promoters in jewellery business and its reputed client profile. However, these rating strengths are partially offset by exposure to customer concentration risk, presence in competitive industry and working capital intensive nature of SGL's operation. The stable outlook reflects company's expected steady revenue growth with adequate liquidity position along with comfortable debt protection metrics. Infomerics Ratings has simultaneously withdrawn the rating assigned to the bank facilities of SGL with immediate effect. The above action has been taken at the request of the company and No Due Certificate (NDC) from IndusInd Bank and No Objection Certificate (NOC) from Yes Bank, Axis Bank and Federal Bank. The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.

Key Rating Sensitivities: Not Applicable as ratings are withdrawn.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experience of the promoters in jewellery business

The promoters of SGL - Mr. Mangesh Chauhan, Mr. Mahendra Chauhan and Mr. Darshan Chauhan has experience of over one decade in the business of gems and jewellery. The promoters' long-standing experience has helped the company to build strong relation with customers and suppliers.

Reputed client profile

The long-term relationship with renowned clients like Malabar Gold, Joyalukkas, Kalyan Jewellers helps the company in regular flow of orders.

Healthy growth in revenue with moderate operating profit and adequate financial risk profile

The total operating income of the company increased to Rs.1745.48 in FY24 (FY refers to the period from April 01 to March 31) from Rs. 1153.80 crore in FY23 registering a Y-o-Y growth of 51.28% driven by rise in sales volume and realization. Further, in Q1FY25, the company had reported sales of Rs.723.03 crore as against Rs. 375.70 crore in Q1FY24. There has been improvement in profitability in FY24 in line with the revenue. The EBITDA margin improved from 3.15% in FY23 to 4.43% in FY24 and PAT margin has improved from 1.61%



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in FY23 to 2.31% in FY24. The capital structure of the company stands moderate as on March 31, 2024. Overall gearing had improved from 1.50x as on March 31, 2023, to 1.28x as on March 31, 2024, on the back of accretion of profit to reserves. The debt protection metrics as indicated by interest coverage ratio has improved from 3.36x in FY23 to 3.76x in FY24 due to manifold increase in absolute EBITDA. Moreover, Total Debt/NCA has also improved from 7.29 years in FY23 to 6.45 years in FY24 due to increase in absolute NCA.

Key Rating Weaknesses

Exposure to customer concentration risk

The top five customers contribute more than 50% of the sales in FY24 indicating moderate dependency on customer side. This customer concentration risk affects the pricing as these are reputed fashion brands.

Presence in competitive industry

The revenue and profitability get affected by fluctuating gold prices. There are certain regulatory norms in jewellery business and company faces intense competition from small unorganised players in the market. Small brands have strong hold in particular regions because of which profit margins gets impacted.

Working capital intensive nature of operation

The operations of the company remained working capital intensive with average working capital limit utilization of ~92% in past 12 months ended July 2024.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Criteria on complexity](#)

[Policy of Withdrawal of Ratings](#)

Liquidity – Adequate



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The liquidity position is expected to remain adequate driven by its expected sufficient cash accrual vis-à-vis its debt repayment obligations. The company is expected to earn cash accruals in the range of ~Rs.74.31-136.07 crore as against its debt repayment obligations in the range of ~Rs.6.65-6.94 crore during FY25-FY27. However, the average fund-based limit utilization remains high at ~92% in past 12 months ended July 2024 indicating a limited liquidity buffer.

About the Company

Sky Gold Limited (SGL) is engaged in the business of designing, manufacturing and marketing of gold jewellery since 2008. The company work with 22 karat gold jewellery, offering a wide variety of designs to suit the preferences of their customers. The company caters to variety of customers having unique preferences with extensive range of designs and use studded American diamonds and/ or coloured stones in many of their jewellery products. The manufacturing unit is located in the heart of Mumbai City in Mulund (West) where casting of jewellery is done. SGL also has central sales office at Kalbadevi and branch offices in Kerala and Telangana.

Financials (Standalone):

For the year ended/ As on*	31-03-2023	31-03-2024	(Rs. crore) Q1FY25
	Audited	Audited	Unaudited
Total Operating Income	1153.80	1745.48	723.03
EBITDA	36.31	77.25	37.27
PAT	18.61	40.48	21.23
Total Debt	145.93	298.75	-
Tangible Net Worth	97.59	233.90	-
EBITDA Margin (%)	3.15	4.43	5.15
PAT Margin (%)	1.61	2.31	2.94
Overall Gearing Ratio (x)	1.50	1.28	-
Interest Coverage (x)	3.36	3.76	4.66

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)				Rating History for the past 3 years			
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	
					Jul 05, 2024	May 10, 2023	Nov 30, 2022	Mar 22, 2022	
1.	Term Loans/ GECL	Long Term	13.23	IVR BBB-; Stable; withdrawn	IVR BB+; Negative; ISSUER NOT COOPERATING	IVR BBB-; Stable	IVR BBB-; Stable	IVR BBB-; Positive	
2.	Cash Credit	Long Term	120.00	IVR BBB-; Stable; withdrawn	IVR BB+; Negative; ISSUER NOT COOPERATING	IVR BBB-; Stable	IVR BBB-; Stable	IVR BBB-; Positive	
3.	Cash Credit/ Pre-Shipment Credit [^]	Long Term/ Short Term	3.00	IVR BBB-; Stable/ IVR A3; withdrawn	IVR BB+; Negative; ISSUER NOT COOPERATING / IVR A4+; ISSUER NOT COOPERATING	IVR BBB-; Stable/ IVR A3	IVR A3 [^]	IVR A3 [^]	
4.	Proposed Cash Credit	Long Term	84.61	IVR BBB-; Stable; withdrawn	IVR BB+; Negative; ISSUER NOT COOPERATING	IVR BBB-; Stable	IVR BBB-; Stable	IVR BBB-; Positive	

[^]In 2023 Pre-shipment credit was considered as short-term facility but 2024 onwards it has become a sublimit of Cash Credit hence short-term rating was reclassified to long term/short term rating.

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



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Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans/ GECL	-	-	-	FY28	13.23	IVR BBB-; Stable; withdrawn
Cash Credit	-	-	-	-	120.00	IVR BBB-; Stable; withdrawn
Cash Credit/ Pre-Shipment Credit	-	-	-	-	3.00	IVR BBB-; Stable/ IVR A3; withdrawn
Proposed Cash Credit	-	-	-	-	84.61	IVR BBB-; Stable; withdrawn

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SkyGold-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable



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Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

