



## Press Release

### Sumeet Gems and Jewellers Private Limited

November 21, 2024

#### Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	105.00 (enhanced from 85.00)	IVR BBB+/ Stable (IVR Triple B plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B plus with Stable outlook)	Reaffirmed	<a href="#">Simple</a>
<b>Total</b>	<b>105.00</b> <b>(Rs. One hundred and five crore only)</b>				

**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

The long-term rating assigned to the bank facilities of Sumeet Gems and Jewellers Private Limited (SGJPL) considers the common management team and operational & financial linkages between SGJPL and its Group companies Sumeet Synfab India Private Limited (SSIPL) and Shubham K-Mart Private Limited (SKMPL). Infomerics has taken a combined view of these entities referred together as Sumeet Group.

The reaffirmation of the long-term rating assigned to the bank facilities of Sumeet Gems and Jewellers Private Limited (SGJPL) continues to derive comfort from its experienced promoters with established track record of operations, diversified product offerings, continuous increase in scale of operation of the Group coupled with increase in profit level and comfortable financial risk profile with satisfactory debt protection metrics. These rating strengths continues to remain partially offset by its exposure to highly fragmented and competitive industry, geographical concentration risk and high working capital intensity of operations.

The outlook assigned on the long-term rating is Stable on the back of satisfactory demand outlook of the respective industry coupled with favourable financial risk profile.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained and significant improvement in revenue and profitability leading to higher cash accruals.



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- Improvement in the capital structure with improvement in TOL/TNW and sustained improvement in debt protection metrics.
- Sustained improvement in liquidity position and operating cycle.

### **Downward Factors**

- Any decline in revenue and profitability leading to deterioration in debt protection metrics with moderation in the interest coverage.
- Deterioration in the capital structure.
- Significant tightening of liquidity position.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Experienced promoters with established track record of operations**

Sumeet Group, established by Late Shri Bhanwar Lal Ji Kankaria in 1984, is now managed by the second and third generations of the Kankaria family. The promoters have more than three decades of experience and have developed deep understanding of the dynamics of the market, while the second line of management has experience of more than two decades and has been associated with Group for a long period.

- **Diversified product offerings**

Sumeet Group is among the largest traders of textiles in Chhattisgarh. Through its company, Sumeet Synfab India Private Limited (SSIPL), it offers apparels including men's wear, women's wear, kids wear, cotton outfits, traditional wear, handlooms, bridal wear, etc. Thereafter, it diversified its operations through Sumeet Gems and Jewellers Private Limited (SGJPL) in 2005, engaged in manufacturing and retailing of jewellery as well as trading of retail gold, silver, diamond, and other precious metals. SGJPL is also engaged in trading of bullion. Further in 2019, the Group started Super Market in partnership firm, M/s Shubham K-Mart, which was later transferred to Shubham K-Mart Private Limited (SKMPL) with effect from March 2020. SKMPL have started its new line of business since then, offering products like grocery items, dairy, crockery, Toys, Plastics etc. The Group mostly runs its business through its showrooms where products from all segments are available. Sumeet Group is one of the reputed and oldest business houses of Raipur,



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Chhattisgarh, with its presence both in the wholesale and retail segment. The Group has even diversified its presence in Odisha and Madhya Pradesh.

- **Continuous increase in scale of operation of the Group coupled with increase in profit level**

The scale of operation of the Group has been increasing continuously during last three financial years marked by increase in TOI at a CAGR of ~11% during FY22 (refers to period April 1st, 2021, to March 31st, 2022) to FY24 (refers to period April 1st, 2023, to March 31st, 2024) and ended up at ~Rs.1273 crore on the back of increase in sales volume. Among the Group companies, SGJPL' revenue dipped by ~9% in FY24 compared to FY23 (refers to period April 1st, 2022, to March 31st, 2023) on account of lowering of bullion trading, while the company changes its business to gold jewellery retail sales. SKMPL revenue grew enormously in FY24 compared to FY23 where the same has increased by ~82% YoY on the back of ramping up of business and addition of new stores during this period. Being in trading segment the profit margins of the Group have remained range bound. However, absolute EBITDA and PAT level of the Group has been increasing during last three financial years, where EBITDA level has been increasing at a CAGR of ~24% during last three financial years and ended at ~Rs.89 crore during FY24. Absolute PAT level has been increasing at a CAGR of ~9% and ended at ~Rs.21 crore during FY24.

- **Comfortable financial risk profile with satisfactory debt protection metrics**

The debt profile of the Group includes term loans from banks, unsecured loans, and working capital borrowings. Quasi Equity of the Group as on March 31,2024 stood at Rs.103.25 crore. The adjusted tangible net worth of the Group including quasi equity stood at Rs.290.18 crore as on March 31, 2024 compared to Rs 252.03 crore as at March 31, 2023. The overall gearing ratio on adjusted tangible net worth stood at 1.64x as on March 31,2024 (as compared to 1.53x as on March 31,2023). Further, the total indebtedness of the Group also remained moderate marked by TOL/TNW including quasi equity at 2.32x as on March 31,2024 (as compared to 2.00x as on March 31,2023). The Group had a comfortable net cash accrual (NCA) of Rs.34.87 crore at the end of FY24. Additionally, the debt protection metrics remained satisfactory, as reflected by the interest coverage ratio of 1.78x in FY24 as against 1.92x in FY23. DSCR was 1.27x in FY24 as compared to 1.04x in FY23.

### Key Rating Weaknesses



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- **Highly fragmented and competitive industry**

The retail industry is highly competitive and fragmented in nature with several large players and numerous small players. Healthy growth prospects, high profitability, and ease in procurement have attracted several players into the retail market. Intense competition may continue to constrain scalability, pricing power and profitability of the Sumeet Group.

- **Geographical concentration risk**

Sumeet Group mostly derives its revenue from Chhattisgarh, with SSIPL presence in over 35 different locations in Chhattisgarh, while SGJPL have around 4 stores in Chhattisgarh, and 1 in Mumbai. Further, SKMPL has a total of around 34 stores in Chhattisgarh at present. The major reliance on Chhattisgarh market exposes the Group to even a slight regional downturn in the economy.

- **High working capital intensity of operations**

The operations of the Sumeet Group are highly working capital intensive. In FY24 the working capital intensity was 44% compared to 41% in FY23. Operating cycle increased marginally from 133 days in FY23 to 145 days in FY24. That was primarily because of increase in inventory of gems and jewellery segment, which further resulted in high utilisation of fund based working capital limits to the tune of 90% for the 12 months ended September 2024.

**Analytical Approach:** Combined

For arriving at the ratings, Infomerics has combined the business and financial risk profiles of Sumeet Synfab India Private Limited (SSIPL), Sumeet Gems and Jewellers Private Limited (SGJPL) and Shubham K-Mart Private Limited (SKMPL). This is because these companies, collectively referred to as the Sumeet Group, are under control of same promoters, have business and financial linkages.

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



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### [Consolidation of Companies](#)

#### **Liquidity – Adequate**

Sumeet Group has earned a gross cash accrual of Rs. 34.87 crore in FY24. Further the Group is expected to earn a gross cash accrual in the range of ~Rs. 50- 88 crore as against its debt repayment obligations around ~Rs. 26-32 crore during FY25-27. Accordingly, the liquidity position of the Group is expected to remain adequate in the near to medium term. However, average cash credit utilisation of the company remained high at ~90% during the past 12 months ended September 2024 indicating low liquidity cushion.

#### **About the Company**

Sumeet Gems and Jewellers Private Limited (SGJPL) was incorporated in the year June 2000 at Raipur by one Kankariya family of Chhattisgarh. The promoters diversified its operations through Sumeet Gems and Jewellers Private Limited (SGJPL) in 2005, engaged in manufacturing of jewellery as well as trading of retail gold, silver, diamond and other precious metals. SGJPL was also engaged in trading of bullion jewellery.

#### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	283.52	257.52
EBITDA	20.03	23.03
PAT	5.02	5.80
Total Debt	89.27	109.00
Adjusted Tangible Net Worth	93.62	99.01
EBITDA Margin (%)	7.06	8.94
PAT Margin (%)	1.77	2.25
Adjusted Overall Gearing Ratio (x)	0.95	1.10
Interest Coverage (x)	1.74	1.66

\* 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 2024-25)			Rating History for the past 3 years			
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Sep. 06, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Jan. 25, 2023)	Date(s) & Rating(s) assigned in 2021-22 (Nov. 02, 2021)	& in
1.	GECLs	Long Term	3.48	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB+/Stable	
2.	Cash Credit	Long Term	95.00	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB+/Stable	
3.	Proposed Cash Credit	Long Term	6.52	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB+/Stable		-

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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).

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](http://www.infomerics.com).

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any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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
GECL 1	-	-	-	November 2028	2.03	IVR BBB+/ Stable
GECL 2	-	-	-	November 2026	1.45	IVR BBB+/ Stable
Cash Credit 1	-	-	-	-	25.00	IVR BBB+/ Stable
Cash Credit 2	-	-	-	-	70.00	IVR BBB+/ Stable
Proposed Cash Credit	-	-	-	-	6.52	IVR BBB+/ Stable

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SumeetGems-nov24.pdf>

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

**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](http://www.infomerics.com).