



Press Release

Suvarna Shilpi Jewellers Private Limited

February 27, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned	Rating Action
1	Bank Facilities- Long Term	4.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Re-affirm
2	Bank Facilities- Long Term/Short Term	20.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)/ IVR A3 (IVR A three)	Re-affirm
	Total	24.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings reaffirmed to the bank facilities of Suvarna Shilpi Jewellers Private Limited (SSJPL) derives comfort from its experienced promoters in the jewellery sector leading to established relationship with its customers and prudent working capital management. However, the rating strengths are partially offset by susceptibility of the Gems and Jewellery sector to regulatory changes in India and overseas and intense competition from organised and unorganised players due to low entry barrier. The ratings also considers its leveraged capital structure and moderate debt protection metrics.

Key Rating Sensitivities:

Upward Factor:

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals on sustained basis
- Improvement in the capital structure and debt protection metrics

Downward factor:

- Deterioration in scale of operation coupled with deterioration in profitability on a sustained basis



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- Deterioration in the capital structure
- Any regulatory changes
- Impairment in liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Extensive experience of the promoters in the Jewellery Business**

SSJPL was promoted by Mr. Alpesh Soni (Managing Director) having an experience of around two decades in the jewellery business. He undertakes all the business and marketing operations of the company. Mr. Rushang Soni is also a director having an experience of around 11 years in jewellery business. He looks into the designing and production activities of the company.
- **Established relationship with customers**

The Company supplies the jewellery to domestic wholesalers which in turn supply to wholesalers in other countries such as Dubai, Malaysia etc. The company is able to maintain healthy relationship with its clients resulting into repeated orders. The total domestic sales of the company constitutes 75%-80% of wholesale sales whereas 20-25% of the retails sales in FY20.
- **Moderate Cash Conversion Cycle**

The Company has an effective receivables management system. Receivables ranged from 10 to 40 days in the past three fiscals. The inventory holding days stood at 43 days. The cash conversion cycle stood at 96 days in FY20 whereas it was 61 days in FY19. in cash conversion cycle of 61 days in FY19. Further, SSJPL's the average utilisation stood high at ~99% during the past 12 months ended December 2020.
- **Prudent risk mitigation measures in place**

The company's primary source of funding is gold metal loan (GML), wherein it procures gold physically from banks and fixes the notional price while taking it from bank. They fix the price, once the price is fixed by its customers, thereby minimizing risk with respect to fluctuation in gold prices.

Key Rating Weaknesses



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- **Susceptible to regulatory changes in India**

Gold is an important commodity traded in the international market, so trading in gold and gold jewellery is highly influenced by several government policies and regulations, which change from time to time

- **Exposed to intense competition from organised and unorganised players**

The jewellery industry in India is highly fragmented with presence of numerous unorganised players, apart from some very large integrated G&J manufacturers leading to high competitive intensity. The company faces stiff competition from both organised as well as unorganised players. The competitive and fragmented nature of the industry impacts the company's profit margins.

- **Leveraged capital structure and moderate debt protection metrics**

The adjusted net worth stood at of Rs.13.64 crore as on March 31, 2020. To arrive at the net worth, Infomerics has considered Rs.3.49 crore of unsecured loans from promoters as quasi equity as the same is subordinated to the bank facilities. The SSJPL's capital structure is leveraged marked by overall gearing of 1.81x as on March 31, 2020 whereas it stood at 1.82x as on March 31, 2019. SSJPL has minimal long-term debt and its debt profile mainly consists Cash Credit facility and Gold Metal Loan and vehicle loan. However, total indebtedness as reflected by the TOL/TNW remained moderate at 2.10x as on March 31, 2020. With leveraged capital structure coupled with thin profitability, Total debt/Gross cash accruals stood high at 25.54x as on March 31, 2020 (22.86x as on March 31, 2019). Further the other debt protections parameters are also remained moderate, marked by interest coverage ratio of 1.48x in FY20 (1.52x in FY19) and DSCR of at 1.43x as on March 31, 2020 (1.42x as on March 31, 2019).

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity: Adequate

The liquidity of the company is expected to improve with minimal long-term debt repayment and adequate cash accruals with no planned capex or avilment of long-term debt. The company had free cash and bank balance of Rs.5.68 crore as on March 31, 2020. The average utilisation of fund based limits stood high at ~99% during the past 12 months ended December 2020. In the absence of any scheduled term debt repayment in the company, the liquidity position is expected to improve going forward

About the Company

Incorporated in 2005, Suvarna Shilpi Jewellers Private Limited (SSJPL) is involved in manufacturing, trading of gold jewellery. The registered office and storage facilities of the company are located in Ahmedabad, Gujarat. The company has two owned showrooms in Ahmedabad.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	169.75	112.70
EBITDA	3.36	3.09
PAT	0.85	0.66
Total Debt	22.17	24.74
Tangible Net worth	9.53	10.15
EBITDA Margin (%)	1.98	2.74
PAT Margin (%)	0.50	0.59
Overall Gearing Ratio (x)^	1.82	1.81

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facilities – Cash Credit	Long Term	4.00	IVR BBB- /Stable Outlook	IVR BBB- /Stable Outlook	-	-
2.	Long Term/Short Term Facilities – Cash Credit/LC/BG*	Long Term/Short Term	20.00	IVR BBB- /Stable Outlook /IVR A3	IVR BBB- /Stable Outlook /IVR A3	-	-

*LC/BG is Sublimit of Cash credit facility.

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	4.00	IVR BBB-/Stable
Long Term/Short Term Bank Facilities— CC/LC/BG*	-	-	-	20.00	IVR BBB-/Stable / IVR A3

*LC/BG of Rs. 20.00 is sublimit of Cash credit facility. PCF/FBD of Rs. 1.00 crore is sublimit of CC Facility