Rating Rationale

P.S. Seth Sons Jewellers Pvt. Ltd. **30 March, 2019**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 16.00 Crores of P.S. Seth Sons Jewellers Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit Limit	16.00	**Long Term**	**BWR D** **(Pronounced as BWR Single D)**
Total	**Rs 16.00 Crores (INR Sixteen Crores Rupees Only)**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Assigned:

BWR has assigned Long Term Rating of BWR D for the bank loan facilities of P.S Seth Sons Jewellers Private Limited. ('the Company')

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Firm's audited financial results upto FY18, publicly available information and information/clarifications provided by the Company's management.

The rating draws strength from the experienced promoters in Jewellery industry from last 15 years, Satisfactory current ratio, Moderate Debt Service Indicators. However, the rating is constrained by low Profitability Margins and Delay in Interest Payments. Going forward, the ability of the Company to Improve its Profitability Margins,and Irregularities in short term borrowings would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

1. **Experienced Management and Long track record of business:** The company Promoters has experience of more than 15 years in the same line of business and the company has a long track record of business for more than 15 years that helps them to maintain a better relationship with their customers and suppliers.
2. **Satisfactory Current Ratio** : The company has satisfactory current ratio of 1.45 Times in FY18.
3. **Moderate Debt Service Indicators :** The company has moderate debt service indicators with Interest Service Coverage Ratio of 1.25 Times and Debt Service Coverage Ratio of 1.12 Times in FY18.

Credit Weakness:

1. **Low Profitability Margins:** The company has low Profitability Margins with Net Profit Margins of 0.70% and Operating Profit Margins of 3.30% in FY18.
2. **Delay in Interest Payments :** There is continuous delay in Interest Payments from last three months in cash credit limit.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Support from Holding/Subsidiary Firm:

The Company has no subsidiary concerns or associate concerns.

Liquidity

The Firm has liquid investments of Bank FDRs of Rs 0.61 crores and Cash & Bank Balances of Rs 0.14 crores in FY18. Current ratio was at 1.45 times in FY18. Average working capital utilization for the six months period (May 2018 to Oct 2018) is 100% from Punjab National Bank .The conversion cycle has been 98 days in FY18 due to high days inventory of 84 days in FY18. The Company has nil long term debt. The Company ISCR at 1.25 times and Debt Service Coverage Ratio of 1.12 Times as on March 31 2018.

Rating Outlook: *Stable*

BWR believes the **P.S Seth Sons Jewellers Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

P.S Seth Sons Jewellers Private Limited was established in 2006. The company is engaged in trading of Jewellery. The unit is located at 32- A- Ceetee Mall, Mall Road, Amritsar. It is currently managed by Mr Pardeep Seth, Mr Sandeep Seth and Ridhi Seth.

Company Financial Performance

Total operating income (TOI) of the Company has improved from Rs 59.40 Cr in FY17 to Rs 76.76 Cr. in FY18. PAT has declined from Rs 0.71 Cr in FY17 to Rs. 0.54 Cr in FY18.

Key Financial Indicators

Key Parameters	Units	FY18 (A)	FY17 (A)
Result Type			
Operating Revenue	₹ Cr	76.76	59.40
EBITDA	₹ Cr	2.53	2.77
PAT	₹ Cr	0.54	0.71
Tangible Net worth	₹ Cr	6.36	5.82
TOL:TNW	Times	2.71	2.39
Current Ratio	Times	1.45	1.90

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1.	**Fund Based** Cash Credit Limit	Long Term	16.00	**BWR D** (Pronounced as BWR Single D) Outlook: Stable	**NA**	**NA**	**NA**
	Total		**16.00**	**Sixteen Crores ₹ Only**			

Status of non-cooperation with previous CRA (if applicable)-NA
Any other information : Nil

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Trading Entities**

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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