



Rating Rationale

R K Das Jewellers

17 Sep 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 12.80 Crores of R K Das Jewellers.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit Term Loan	8.00 4.80	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable
Total	12.80	INR Twelve crores eighty lakhs only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon the audited financial results upto FY17, Provisional financials for FY 18, projected financials of FY19, the information and documents provided by the client, as well as the publicly available information.

The rating draws comfort from experienced management committee and franchisee of a reputed brand. The rating is however constrained by modest scale of operations, weak financial risk profile, price elasticity in the concerned industry making revenues susceptible to fluctuations and highly competitive industry and HUF constitution of the entity.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Management :-** The key management personnels of the HUF have moderate experience in the same line of activity. Subodh Kumar Aggarwal being the karta of the HUF and at the helm has 30 years of experience and is a graduate, Madhulika Agarwal is also a graduate and has 25 years of experience and Mr. Ashutosh Agrawal has 6 years of experience and he is also a graduate.
- **Franchisee of a reputed brand :-** RK Das Jewellers is a franchisee of Tanishq Jewellers since 1999 i.e. the year in which the showroom was established. As of now the HUF has 2 showrooms,



both in Varanasi. The second showroom was established in October, 2017.

Credit Risks:

- **Improving but modest scale of operations :-** The Tangible Net Worth of the HUF stands at Rs. 3.59 crs. as per FY17 (Audited), and the Gross Sales as per FY17 (Audited) stands at Rs. 53.70 crs. and the same for the FY18 (Prov.) Rs. 79.87 crs.
- **Weak Financial Risk profile :-** The firm's Financial risk is characterised by a moderately high Gearing ratio (TOL/ TNW) of 2.67 in FY17 (Audited) with a low debt protection metric such as DSCR and ISCR stood at 0.73 X and 0.47 X respectively in FY17(Audited) and 1.30X and 1.37X in FY18 (Provisional). Profitability margins such as Operating Profit Margin and Net Profit Margin stood at 1.22% and 0.54% respectively in FY17(Audited) and 2.92% and 1.74 respectively in FY18 (Provisional) which are very low. The Provisionals provided by the firm show that there was a slight improvement in the Financial performance.
- **Revenues susceptible to fluctuations due to price elasticity in the concerned industry:-** The precious and gems and jewellery industry is susceptible to price fluctuations.
- **Highly fragmented and competitive Industry:-** There are several players in organised and unorganised sector who are engaged in the trading of gold and gems jewellery, hence allowing a limited pricing flexibility to the unit.
- HUF entities are family owned and run establishments where no individual member has the motivation to work harder in view of the equal share, besides legal hurdles in dealing with banks.

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).

Rating Outlook: *Stable/Positive/Negative*

BWR believes the **R K Das Jewellers** 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 HUF

RK Das Jewellers is a HUF which was originally established in the year 1999. The firm is a franchisee of Tanishq Jewellers. As of now the HUF has 2 showrooms, both in Varanasi. The second showroom was established in October, 2017. The key management personnels of the HUF have moderate amount of experience, with Subodh Kumar Aggarwal being the karta of the HUF having 30 years of experience and a graduate. Madhulika Agarwal also a graduate has 25 years of experience, while Mr. Ashutosh Agrawal has 6 years of experience and he is also a graduate.



Company Financial Performance

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		(Provisional)	(Audited)
Operating Revenue	₹ Cr	81.02	53.70
EBITDA	₹ Cr	3.47	0.65
PAT	₹ Cr	1.39	0.29
Tangible Net worth	₹ Cr	7.53	3.59
Total Debt/Tangible Net worth	Times	1.97	2.10
Current Ratio	Times	4.92	2.20

Rating History for the last three years

S.No	Instrument /Facility	Current Rating - 2018			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based Cash Credit Term Loan	Long Term	8.00 4.80	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable	NA		
	Total		12.80	INR Twelve crores eighty lakhs only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Sector](#)
- [Short Term Debt](#)



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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.