

## Rating Rationale

### Rasiklal Sankalchand Jewellers Private Limited

17 May 2018

**Brickwork Ratings assigns the ratings for the bank loan facilities of Rasiklal Sankalchand Jewellers Private Limited.**

#### Particulars

Facility	Tenor	Amount (Rs. Crs)	Rating*
Fund Based			
Working Capital	Long Term	90.00	BWR BBB (Pronounced as BWR Triple B) Outlook-Stable Assigned  (INR One Hundred and Five Crores Only)
Working Capital-Proposed		15.00	
Total		105.00	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

#### Rationale:

The assigned rating to takes into account the long experience of the promoters in the jewellery business and established position of the brand “Rasiklal Sankalchand” with presence of over 4 decades, fair adjusted net worth and favorable demand outlook for gold jewellery in India. The ratings, however are constrained by high working capital intensity of operations, exposure of profitability to risks arising from gold price fluctuations, slight decline in operating profitability margins in FY18 (unaudited financials) as against FY17 and moderate coverage indicators.

#### Key Rating Determinants

##### Credit Strengths

- Long experience of the promoters in the jewellery business with established track record of operations.
- BWR has considered the non-interest bearing unsecured loan of Rs. 14.59 Crs in FY17 and Rs. 19.11 Crs in FY18 (unaudited) from directors and related parties as quasi equity as these loans are subordinated to bank borrowings and are expected to be maintained in the business over the medium term. Adjusted D/E has improved to 1.84 times in FY18 (unaudited) from 2.2 times in FY17.

- c) Favorable demand outlook for gold jewellery in India over the medium to long term, underpinned by the strong cultural affinity for gold and growing disposable income

**Credit Weaknesses**

- d) Exposure of profitability to fluctuation in gold prices, given the high inventory level required to support operations.
- e) High working capital intensity of operations, thereby impacting liquidity.
- f) Significant competition limits pricing flexibility and margin expansion to an extent.
- g) Moderate financial risk profile marked by moderate coverage indicators as reflected by ISCR of 1.47 times in FY17 which has improved from 1.35 times in FY16.

Going forward, the ability of the firm to meet its projected turnover and profitability shall be the key rating sensitivities.

**Rating Outlook: Stable**

BWR believes the **Rasiklal Sankalchand 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 company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

**Analytical Approach:**

BWR has factored into standalone business and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

**About the Company:**

Rasiklal Sankalchand Jewellers Private Limited (RSJPL) was originally formed in 1972 as a proprietorship firm, Rasiklal Sankalchand Jewellers. In 2000, this firm was reconstituted as a private limited company with the current name. The company retails diamond-studded and plain gold jewelry through its 16,000-square foot single showroom in Ghatkopar (Mumbai).

**Company’s Financial Performance:**

Key Financial Parameters	FY17(Audited)	FY16(Audited)
Total Operating Income	Rs. 225.53 Crs	Rs. 232.53 Crs
EBIDTA	Rs. 19.77 Crs	Rs. 17.55 Crs
PAT	Rs. 2.35 Crs	Rs. 0.99 Crs
ISCR	1.47 times	1.35 times

The company has posted Revenue of Rs. 270.09 Crs with Ebitda of ~Rs. 21.63 Crs in FY18 (unaudited financials).

**Rating History for the last three years:**

SI. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Working Capital	Long Term	90.00	BWR BBB/Stable Assigned	NA	NA	NA
2	Working Capital-Proposed	Long Term	15.00	BWR BBB/Stable Assigned			
Total			105.00	(INR One Hundred and Five Crores Only)			

**NA: Not Available**

**Status of non-cooperation with previous CRA (if applicable): Reason and comments:** Not Applicable

**Any other information:** NIL

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

**DISCLAIMER**

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