



## Rating Rationale

23Jan2019

Suvarna Shilpi Jewellers Pvt. Ltd.

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**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 24.00 Crores of Suvarna Shilpi Jewellers Pvt. Ltd.**

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### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	24.00	Long Term	<b>BWR BBB - (Pronounced as BWR Triple B Minus) Outlook : Stable</b>
Non Fund Based	(11.00)	Short Term	<b>BWR A3 (Pronounced as BWR A Three)</b>
<b>Total</b>	<b>24.00</b>	<b>INR Twenty Four Crores Only</b>	

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

### Rating Assigned.

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's Audited Financials upto FY18, Provisional Financials for 6MFY19, Financial projections up to FY20, publicly available information and clarifications provided by the management.

The rating draws strength from an extensive experience of promoters in the jewellery business increasing revenue trends & moderate debt protection metrics. The ratings are however, constrained by., thin profitability margins, intense competition and susceptibility to gold fluctuation prices.

Going further, Significant improvement in revenue, profit margins, gearing, Tangible Net Worth & efficient management of working capital will be key rating sensitivities.



## Description of Key Rating Drivers

### Credit Strengths:

- **Promoters Experience:** The company's promoters have more than four decades of experience in manufacturing and trading gold and diamond jewellery.
- **Steady growth in operating income over the years:** Company's TOI is in increasing trend since last three financial years and it has increased with 26% in FY18 as compare to FY17. As per management certified Prov. financials upto Sept-19, the Company has achieved the sales of Rs. 64.54 Crs which is 35% of projection for FY19. The company's healthy operating efficiency stems from strong control over operations, outsourcing of jewellery-making, and expertise in manufacturing processes of jewellery and prudent hedging policies.
- **Healthy Debt protection Metrics :** Company's net profit margins are marginally improved from 0.52% in FY17 to 0.56% in FY18 and robust debt protection metrics DSCR is 1.62x & ISCR is 1.90 in FY18.
- **Improvement in net cash accrual :** There is an increase in net cash accrual of the Company with 35% in FY18 as compare to FY17. Working capital cycle is healthy at 56 days.
- **Efficient Receivable management :** The Company has an efficient receivables management system. Receivables ranged from 12 to 18 days in the past three fiscals. The firm has high bargaining power with customers and offers limited credit of 15-30 days to its customers. Furthermore, direct export revenue generates through customers, who pay in advance.

### Credit Risks:

- **Moderate Credit risk profile:** Gearing is moderate due to increased enhanced cash credit limit in FY18, which resulted in improved operation. Debt/TNW has substantially increased from 1.80x to 2.80x.
- **Exposure to intense competition:** Jewellery manufacturing industry in India is fragmented with presence of large number of unorganized as well as organized players. Company will continue to face competition from such players.
- **Susceptibility to fluctuations in raw material prices:** Movement in prices of gold and diamonds is a key determinant of jewellery demand. Though the Company works on the replenishment model, which acts as a partially hedge against pricing risk, exposure to adverse fluctuations in prices of gold and diamonds, will persist.



**Liquidity Profile :** The current ratio of the company stood at 1.42 times in FY18 as against 2.11 times in FY17. The working capital cycle of the company has remained comfortable on account of receivable cycle of 18 days and inventory levels of 40 days coupled with relatively above average utilization of working capital facility upto December -2018.

### **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***

BWR believes the **Suvarna Shilpi Jewellers Pvt. Ltd.** 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 & 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**

Suvarna Shilpi Jewellers Pvt. Ltd. is Ahmedabad, Gujarat based Company incorporated in 2005 to carry out activities like manufacture, trade, exports and resell of gold/ gold ornaments, job work, etc. The Company is managed by Mr. Alpesh Soni and Mr. Rushang Soni

### **Company Financial Performance**

The Company has reported TOI of Rs. 163.06 Crs with a net profit of Rs. 0.91 Crs in FY18 against TOI of Rs. 128.53 Crs with a net profit of Rs. 0.67 Crs in FY17. USL is Rs. 1.32 Crs.

As per management certified Provisional. financials upto Sept-19, the Company has achieved the sales of Rs. 64.54 Crs and infused the USL of Rs. 1.57 Crs.

**Key Financial Indicators**

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	163.06	128.53
EBITDA	₹ Cr	2.74	2.73
PAT	₹ Cr	0.91	0.67
Total Debt/Tangible Net worth	Times	2.80	1.89
Current Ratio	Times	1.42	2.11

**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based Cash Credit	Long Term	24.00	<b>BWR BBB - (Pronounced as BWR Triple B Minus) Outlook : Stable</b>	Not Rated	Not Rated	Not Rated
2 3	Non Fund Based (CC Sublimit) PCFC/FBD Standby LC	Short Term	(1.00) (11.00)	<b>BWR A3 (Pronounced as BWR A Three)</b>	Not Rated	Not Rated	Not Rated
	<b>Total</b>		<b>24.00</b>	<b>₹ Twenty Four Crores Only</b>			

**Status of non-cooperation with previous CRA (if applicable)-Reason and comments**

**Hyperlink/Reference to applicable Criteria**

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