

Press Release

Dharneesh Gold Private Limited

January 15, 2019



Rating Withdrawn Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 10.00 crore bank facilities. Further, Acuité has assigned long term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.4.95 Cr. and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.5.05 Cr. bank facility. Acuité has withdrawn the long term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.4.95 Cr. bank facility of Dharneesh Gold Private Limited (DGPL). The outlook is '**Stable**'.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Bhagya Laxmi Gems and Jewellers Private limited (BLGJ) and Dharneesh Gold Private Limited (DGPL), together referred to as the Bhagyalaxmi Group. The consolidation is due to the common management and operational and financial synergies within the group.

About the Group

The Bhagyalaxmi Group was established in 1910 as a proprietorship concern by Mr. Nitin Agarwal and family and subsequently converted to a private limited company in 2010. The group is engaged in the manufacturing and wholesale trading of gold jewellery at Andhra Pradesh with installed capacity of 120 kg of gold per month.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The group has long track record of operations since it was established in 1910. The Directors, Mr. Kunal Gupta and Ms. Shilpa Agarwal have more than a decade of experience in the jewellery business.

- **Comfortable working capital cycle**

The group has efficient working capital cycle of 3 days in FY2018 as against 9 days in FY2017. The Gross Current Assets (GCA) is also comfortable at 17 days in FY2018 as against 23 days in FY2017. This is on account of low inventory holding period of 11 days in FY2018 as against 13 days in FY2017. The debtor days also stood low at 3 days in FY2018 as against 10 days in FY2017.

Weaknesses

- **Thin profitability margins**

The profitability margins of the group have declined in FY2018 over FY2017. The EBITDA margins stood at 0.41 per cent in FY2018 as against 0.51 per cent in the previous year. The PAT margins also stood low at 0.10 per cent in FY2018 as against 0.28 per cent in FY2017.

- **Moderate financial risk profile**

The financial risk profile has remained moderate marked by tangible net worth of Rs. 9.39 crore as on 31 March, 2018 as against Rs. 8.55 crore as on 31 March, 2017. The gearing (debt-equity) improved to 1.10 times as on 31 March, 2018 as against 1.34 times as on 31 March, 2017. The total debt outstanding as on 31 March, 2018 of Rs. 10.35 crore comprises Rs.0.33 crore of unsecured loans from Directors, term loan of Rs.1.49 crore and Rs. 8.54 crore as working capital limit. The interest coverage ratio is moderate

at 1.54 times in FY2018 as against 1.88 times in FY2017. Total outside Liabilities to Tangible Net worth stood high at 3.71 times as on 31 March, 2018 as against 3.94 times in the previous year. Acuité believes that the group's ability of improving the financial risk profile in the near to medium will remain a key rating sensitivity factor.

• Susceptibility of profit margins to volatility in gold prices

The profitability is exposed to fluctuations in gold prices. Further, any adverse change in the price of gold may impact the profitability margins of the company.

Outlook: Stable

Acuité believes that the group will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in profit margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins or deterioration in the capital structure on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	837.11	588.26	1017.79
EBITDA	Rs. Cr.	3.40	3.02	2.59
PAT	Rs. Cr.	0.83	1.67	1.01
EBITDA Margin	(%)	0.41	0.51	0.25
PAT Margin	(%)	0.10	0.28	0.10
ROCE	(%)	17.96	19.50	13.36
Total Debt/Tangible Net Worth	Times	1.10	1.34	2.41
PBDIT/Interest	Times	1.54	1.88	1.83
Total Debt/PBDIT	Times	2.85	2.69	4.99
Gross Current Assets (Days)	Days	17	23	12

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Feb-2018	Gold Metal Loan	Long Term	4.95	ACUITE B+ / Stable (Upgraded)
	Proposed Bank Guarantee	Short Term	15.05	ACUITE A4 (Upgraded)
25-Nov-2016	Gold Metal Loan	Long Term	4.95	ACUITE D (Downgraded)
	Proposed Bank Guarantee	Short Term	15.05	ACUITE D (Downgraded)

27-Jul-2015	Term Loan	Long Term	4.95	ACUITE BB+ / Stable (Assigned)
	Proposed Bank Guarantee	Short Term	15.05	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Gold Metal Loan	Not Applicable	Not Applicable	Not Applicable	4.95	ACUITE B+ / Stable (Withdrawn)
Proposed Bank Facility (Long Term)	Not Applicable	Not Applicable	Not Applicable	3.95	ACUITE B+ / Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Reaffirmed)
Proposed Bank Facility (Short Term)	Not Applicable	Not Applicable	Not Applicable	5.05	ACUITE A4 (Assigned)

Contacts

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About Acuité Ratings & Research:

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