

## Press Release

### RIVERSTONE JEWELS LLP

December 28, 2017

### Rating Assigned



|                                     |                             |
|-------------------------------------|-----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 20.00 Cr.               |
| <b>Long Term Rating</b>             | SMERA BB+ / Outlook: Stable |

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 20.00 crore bank facilities of RIVERSTONE JEWELS LLP. The outlook is '**Stable**'.

Riverstone Jewels LLP (RJL), established in 2014 manufactures diamond-studded jewellery at Andheri, Mumbai. The firm is led by Mr. Kailash Shah, Mr. Ruchin Shah, Mr. Saurin Shah and Mr. Tanay Shah. RJL caters to reputed brands including Titan, Kalyan Jewellers among others.

### Key Rating Drivers

#### Strengths

- Extensive experience of partners**

The firm was established in 2014 by Partners, Mr. Kailash Shah, Mr. Tanay Shah, Mr. Saurin Shah and Mr. Ruchin Shah. Mr. Kailash Shah possesses experience of over four decades in the gems and jewellery industry while Mr. Tanay Shah and Mr. Saurin Shah possess experience of around over a decade. SMERA believes that RJL will continue to benefit from its experienced management.

- Healthy growth in operating income**

The operating income grew at a CAGR of ~36 per cent from FY2015 to FY2017 registering Rs. 115.80 crore for FY2016-17 as against Rs.101.98 crore for FY2015-16. Further, RJL booked revenue of ~Rs.112.00 crore for 9MFY2018.

- Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.10.03 crore as on 31 March, 2017 as against Rs.5.34 crore as on 31 March, 2016. The gearing (debt-equity) stood at 1.40 times as on 31 March, 2017 as against 2.38 times as on 31 March, 2016. The total debt of Rs.14.01 crore as on 31 March, 2017 comprises working capital facility. The Interest Coverage Ratio (ICR) stood at 2.63 times for FY2016-17 as against 3.13 times for FY2015-16. The total outside liabilities to tangible net worth (TOL/TNW) stood at 3.70 times as on 31 March, 2017. Further, SMERA believes that the financial risk profile of RJL will remain moderate in the absence of major debt funded capex and steady cash accruals.

#### Weaknesses

- Customer concentration risk**

RJL is exposed to high customer concentration risk as the firm derived around 90 percent of its total sales from Titan Company Limited in FY2016-17. However, the firm has begun to diversify its customer base by catering to Joyalukkas jewellery - UAE.

- Competitive and fragmented industry**

The firm is exposed to intense competition in the industry from other players. However, the same is partially mitigated by an exclusive agreement with Titan for UAE.

### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of RJL to arrive at the rating.

#### Outlook: Stable

SMERA believes that RJL will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers a steady and diversified revenue profile with stable operating margins and continues to maintain working capital cycle effectively. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or fall in revenue.

#### About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 115.80        | 101.98        | 46.14         |
| EBITDA                        | Rs. Cr. | 4.19          | 3.28          | 1.39          |
| PAT                           | Rs. Cr. | 1.31          | 1.09          | 0.88          |
| EBITDA Margin                 | (%)     | 3.62          | 3.21          | 3.02          |
| PAT Margin                    | (%)     | 1.13          | 1.07          | 1.91          |
| ROCE                          | (%)     | 17.29         | 25.51         | 74.21         |
| Total Debt/Tangible Net Worth | Times   | 1.40          | 2.38          | 0.44          |
| PBDIT/Interest                | Times   | 2.63          | 3.13          | 0.00          |
| Total Debt/PBDIT              | Times   | 3.27          | 3.83          | 0.75          |
| Gross Current Assets (Days)   | Days    | 134           | 101           | 84            |

#### Status of non-cooperation with previous CRA (if applicable)

None.

#### Any other information

None.

#### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

#### Note on complexity levels of the rated instrument

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

#### Rating History (Upto last three years)

| Date        | Name of Instrument / Facilities | Term       | Amount (Rs. Cr.) | Ratings/Outlook    |
|-------------|---------------------------------|------------|------------------|--------------------|
| 27-Dec-2016 | Cash Credit                     | Long Term  | INR 12           | SMERA BB- / Stable |
|             | Bank Guarantee                  | Short Term | INR 3            | SMERA A4           |
| 03-Dec-2015 | Cash Credit                     | Long Term  | INR 12           | SMERA BB- / Stable |
|             | Bank Guarantee                  | Short Term | INR 3            | SMERA A4           |

#### \*Annexure – Details of instruments rated

| Name of the | Date of | Coupon Rate | Maturity | Size of the Issue | Ratings/Outlook |
|-------------|---------|-------------|----------|-------------------|-----------------|
|-------------|---------|-------------|----------|-------------------|-----------------|

| Facilities  | Issuance       |                | Date           | (Rs. Cr.) |                    |
|-------------|----------------|----------------|----------------|-----------|--------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 14.00     | SMERA BB+ / Stable |
| Metal Loan  | Not Applicable | Not Applicable | Not Applicable | 6.00      | SMERA BB+ / Stable |

## Contacts

| Analytical  | Rating Desk   |
|---|---|
| Vinayak Nayak<br>Head – Ratings Operations<br>Tel: 022-67141190<br><a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a><br><br>Kashish Shah<br>Analyst - Rating Operations<br>Tel: 022-67141152<br><a href="mailto:kashish.shah@smera.in">kashish.shah@smera.in</a> | Varsha Bist<br>Manager - Rating Desk<br>Tel: 022-67141160<br><a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a> |

## ABOUT SMERA

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