

Press Release

Sai Jewellers

July 17, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) from '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.2.00 crore and reaffirmed short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.3.00 crore bank facilities of Sai Jewellers. The outlook is '**Stable**'.

The rating upgrade takes into account the significant growth in revenues and coverage indicators. Further, the upgrade is also supported by improvement in the working capital cycle on account of better realisation from customers.

The Bangalore-based, Sai Jewellers (SJ) was established in 2007 by Mr. Anand Karmokar. The firm is engaged in designing and manufacturing of gold and diamond jewellery which includes ethnic jewellery, AD jewellery and real precious stone jewellery. SJ has installed capacity of manufacturing 3 kg per day.

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

The main promoter of the firm Mr. Anand Karmokar possesses two decades of experience in this industry. The extensive experience of the promoter has helped SJ to establish market position which in turn benefits in securing repeated orders. The firm's reputed customer base consists of Malabar Gold & Diamond, Konika Jewellery, Swarna Siddhi Jewellers to name a few. Acuité believes that SJ will continue to benefit from its experienced management and longstanding relations with reputed players in the industry.

- **Healthy growth in revenues**

SJ's revenue has been growing at a compound annual growth rate (CAGR) of 54 percent from FY2015 to FY2018. The firm registered a turnover of Rs.30.36 crore in FY2017, an improvement from Rs.15.31 crore in FY2016 and Rs.13.29 crore in FY2015. Further, SJ has achieved a turnover of ~Rs.48.86 crore for FY2018 (Provisional). The increase in revenues is backed by increase in the number of orders on account of increase in customer base.

- **Average Financial risk profile**

The financial risk profile of the firm is characterized by low networth moderate gearing and debt protection measures. The net worth base of the firm stood at Rs.5.26 crore as on March 31, 2018 (Provisional) as compared to Rs.5.07 crore as on March 31, 2017. The gearing improved to 0.93 times as on March 31, 2018 (Provisional) as compared to 1.61 times as on March 31, 2017. The total debt of Rs.4.88 crore in FY2018 (Provisional) includes working capital borrowings of Rs.2.61 crore and unsecured loans from family members and relatives of Rs.2.27 crore. The interest coverage stood at 2.54 times in FY2018 (Provisional) as against 2.04 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.25 times in FY2018 (Provisional) as compared to 0.07 times in FY2017. Acuité believes that the financial risk profile of firm is expected to be average over the medium term backed by efficient working capital management at about 52 days.

Weaknesses

- **Profit margins susceptible to fluctuations in raw material prices**

Gold and diamonds are the major raw materials procured by the firm. Since the prices of these are highly volatile the profit margins are exposed to fluctuations in raw material prices.

- **Highly fragmented and competitive industry**

SJ operates in highly fragmented industry with limited entry of barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SJ to arrive at this rating.

Outlook: Stable

Acuité believes that the outlook on SJ will remain 'Stable' over the medium term on account of the promoter's experience and healthy revenue growth in the gold industry. The outlook may be revised to 'Positive' if the firm registers growth in profitability margins while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	48.86	30.36	15.31
EBITDA	Rs. Cr.	1.98	1.51	1.09
PAT	Rs. Cr.	0.90	0.26	0.23
EBITDA Margin	(%)	4.05	4.96	7.09
PAT Margin	(%)	1.85	0.87	1.47
ROCE	(%)	14.39	11.63	12.77
Total Debt/Tangible Net Worth	Times	0.97	1.63	1.54
PBDIT/Interest	Times	2.54	2.04	2.11
Total Debt/PBDIT	Times	2.47	5.32	3.97
Gross Current Assets (Days)	Days	58	131	121

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>
- 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
30-Jan-2018	Cash Credit	Long Term	INR 2	ACUITE B+
	Packing Credit	Short Term	INR 3	ACUITE A4
12-Oct-2016	Cash Credit	Long Term	INR 2	ACUITE B+ / Stable
	Packing Credit	Short Term	INR 3	ACUITE A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4

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About Acuité Ratings & Research:

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