

Press Release

Zoya Gold

May 15, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.10.00 crore bank facilities of Zoya Gold (Zoya). The outlook is 'Stable'.

Incorporated in 2014, Zoya Gold (Zoya) a Tenkasi, Tamil Nadu based company engaged in retail and wholesale trading of Jewellery. Zoya was promoted by Mrs. Shajina Shamsudeen , and has an experience of more than 5 years in Jewellery business.

Key Rating Drivers

Strengths

Experienced management

Zoya Gold (Zoya), proprietorship concern was incorporated in 2014. The entity is managed by its proprietrix Mrs. Shajina Shamsudeen, and the firm is into retailing of gold jewellery with operations at Tenkasi location; Mrs Shajina is in jewellery business for over 5 years; she is well supported by her family members who have vintage of more than two decades in this segment.

Growth in revenues

Zoya reported revenues of Rs.38.19 crore in FY2017 (refers to financial year, April 1st to March 31st) vis-a-vis Rs.23.04 crore in FY2016. The firm's revenues have increased at a compounded annual growth rate (CAGR) of about 73 per cent over three years through FY2017. Zoya has reported revenues of about Rs.42.0 crores on provisional basis in FY2018. SMERA believes that the revenue profile is expected to improve to about Rs.50.0 crores over the medium term on the back of improving economic conditions and the loyal customer base.

Weaknesses

Below-Average financial risk profile

The financial risk profile is below-average marked by modest net worth of Rs. 3.80 crore as on 31 March, 2017, and high gearing (debt-to-equity ratio) of 3.10 times as on 31 March, 2017. The total debt of Rs.11.78 crore, consists of working capital borrowings of Rs. 11.43 crore and unsecured borrowing of 0.35 crore as on 31 March, 2017. Debt protection metrics of interest coverage ratio (ICR) is low at 1.10 times in FY2017. In FY2017, the net cash accruals to total debt (NCA/TD) stood at 0.01 times in FY2017. With modest scale of operations in the Jewellery Industry marked by low-profitability margins are likely to keep the financial risk profile at below-average levels over the medium term.

Working capital intensive operations

Working capital cycle remains intensive reflected by high gross current assets (GCA) of 150 days in FY2017

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against 233 days in FY2016. This was due to higher inventory days of 128, which is to maintain several jewellery models to ensure no stock position. On account of which, the working capital limits have been fully utilized throughout the year which constrains the profitability as well as revenue growth to some extent.

Geographic concentration risk and intense competition

The entity is exposed to significant geographic concentration risk as its store is located in Tenkasi, Tamil Nadu and operating only one unit. Further, the industry is highly fragmented and large number of unorganized players would lead to high level of competition putting pressure on margins.

Outlook: Stable

SMERA believes that Zoya Gold will remain 'Stable' and the firm will be able to maintain its credit profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of higher-than-expected revenues or profitability while improving its working capital management and liquidity. The outlook may be revised to 'Negative' in case of significant stretch in its working capital management thus deteriorating its financial flexibility and liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	38.19	23.04	12.65
EBITDA	Rs. Cr.	3.74	3.79	4.81
PAT	Rs. Cr.	0.12	0.09	0.06
EBITDA Margin	(%)	3.74	3.79	4.81
PAT Margin	(%)	0.31	0.40	0.50
ROCE	(%)	9.47	7.66	14.79
Total Debt/Tangible Net Worth	Times	3.10	2.81	2.50
PBDIT/Interest	Times	1.10	1.14	1.14
Total Debt/PBDIT	Times	8.25	12.00	9.51
Gross Current Assets (Days)	Days	150	233	258

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

Trading entities- <https://www.smera.in/criteria-trading.htm>

Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>

Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B+ /Stable

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ABOUT SMERA

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