

Press Release

Suryavanshi Gems And Jewellery Private Limited

April 09, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B-/Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) on the Rs. 15.00 crore bank facilities of Suryavanshi Gems And Jewellery Private Limited (SGPL). The outlook is '**Stable**'.

Kolkata based, SGPL was incorporated in the year 2010 by Mr. Ramakant Johari, Mrs. Ranjama Johari and Vijaykumar Soni. The company is mainly engaged in manufacturing and trading of precious and semiprecious metal Jewellery. The company has further diversified their revenue streams by venturing into the business of retail store of men and women's garments along with selling of furniture.

Analytical Approach

Acuité has considered standalone business and financial risk profile of the SGPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

SGPL was established in 2010 and hence, has a long track record of nearly two decades. Further, the promoters Mr. Ramakant Johari, Mrs. Ranjama Johari and Vijaykumar Soni have gained good insight about the gems and jewellery industry via their rich experience of over 2 decades in the aforementioned industry. Acuité believes that SGPL will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

- **Intensive working capital management**

SGPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 1270 days as on March 31, 2019 as compared to 1432 days in the previous year. The GCA days were dominated by the inventory holding period of the company standing at 1317 days in FY2019 as against 1191 days in FY2018. The debtor collection period of the company stood at 7 days in FY2019. Further the creditor payback period stood around 588 days as on 31st march 2019 as against 135 days in the previous year.

- **Poor financial risk profile**

The financial risk profile of the company is poor marked by poor capitalization levels and average debt protection metrics. The net worth of the company stood at Rs.0.09 crore as on 31 March 2019 as against Rs.0.08 crore as on 31 March 2018. The gearing of the company stood poor at 197.37 times as on 31 March 2019 as against 36.49 times as on 31 March 2018. Total outside liabilities to total net worth stood high at 307.78 times as on 31 March 2019 as compared to 40.57 times in as on 31 March 2018.

The total debt of Rs.18.74 crore consists of working capital borrowings of Rs.8.82 crore and unsecured loans of Rs.9.92 crore as on 31 March 2019. The interest coverage ratio (ICR) of the company declined to 1.12 times in FY2019 as compared to 3.28 times in FY2018. The debt service coverage ratio (DSCR) of the company stood average at 1.11 times in FY2019.

Key Rating Sensitivity Factors

- Significant improvement in revenues while improvement in profitability levels.
- Significant elongation in working capital.

Material Covenants

None

Liquidity Position: Poor

SGPL has poor liquidity marked by poor net cash accruals to no maturing debt obligations and intensive working capital operation. The company generated cash accruals of around Rs.0.08 crore in FY2019. The company's working capital operations are intensive in nature marked by high gross current asset (GCA) days of 1270 in FY 2019 as against 1432 days in the previous year. The company maintains unencumbered cash and bank balances of Rs.0.23 crore as on March 31, 2019. The current ratio of the company declined to 1.45 times as on March 31, 2019 as against 9.38 times in the previous year. Acuité believes that the liquidity of the company is likely to remain poor over the medium term on account of low cash accruals generated by the company.

Outlook: Stable

Acuité believes that the SGPL will maintain a 'Stable' outlook on account of extensive experience of promoters of the company. The outlook may be revised to 'Positive' in case of significant increase in the scale of operations while maintaining adequate asset quality and profitability metrics. The outlook may be revised to 'Negative' in case of pressure on capitalization or deterioration in profitability and asset quality metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	8.02	0.74
Profit After Tax (P.A.T.)	Rs. Cr.	0.02	0.00
PAT Margin	(%)	0.19	(0.07)
Total Debt/Tangible Net Worth	Times	197.37	36.49
PBDIT/Interest	Times	1.12	3.28

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
Mar-06-2019	Overdraft	Long Term	15.00	ACUITE B-/Stable (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
Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE B-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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