

Press Release

Swarnsarita Jewels India Limited (Erstwhile Swarnsarita Gems Limited)

September 21, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	124.00	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	124.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the bank facilities of Rs.124.00 crore for Swarnsarita Jewels India Limited (SJIL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation factors in stable operating performance of SJIL in FY2022, marked by improving operating income, stable operating margins and efficient working capital management, albeit high reliance on bank limits. The Company's operating income improved to Rs.841.19 crores in FY2022 as against Rs. 575.56 crores in FY2021. The company's revenue stood at ~Rs.200 Cr in Q1FY2023. The operating margins remained stable as it ranged between 2.13-2.33 percent in last two years ended FY2022. The rating is constrained by the modest financial risk profile and susceptibility of profile margins to volatility in raw material prices and competitive nature of the industry along with exposure of SJIL towards the real estate industry.

About the Company

Swarnsarita Gems Limited (SGL), the erstwhile Shyam Star Gems Ltd (SSGL) was incorporated in 1992. The company was taken over by Swarnsarita Jewellers Private Limited (SJPL) in FY2010-11 and later renamed Swarnsarita Gems Limited (SGL) and from FY2022 renamed as Swarnsarita Jewels India Limited (SJIL). The company is listed on BSE. The company is engaged in the manufacturing and wholesaling of gold and diamond jewellery. It has branches in Kolkata, Ahmedabad, Bangalore, Delhi and Mumbai. The company is led by Chairman, Mr. Mahendra Chordia. The company also exports to USA, Dubai, UK and Singapore, which contributes to 40 to 45 percent of total sales.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SJIL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management, established track record of operations and reputed clientele

SJIL has presence in Gems and Jewellery industry since 1992. The promoter and managing director of the company, Mr. Mahendra Chordia, has experience of more than two decades in industry. The promoter is well supported by a competent second line of management. Over the years, the promoters have built strong customer base, resulting in repeat orders and has also ventured into international markets. Owing to the industry experience of the promoters and a dedicated design team, SJIL has been able to have long term relations with large jewellery retailers such as Malabar Gold, Kalyan Jewellers, and Tribhovandas Bhimji Zaveri (TBZ). The company also exports jewellery to Dubai, USA, Singapore and UK.

Acuité believes that with its long track record of over two decades in the business and long standing relationship with its customers, the company will continue to benefit from its established market position over the medium term.

Improvement in revenues and stable margins

The operating income has improved to Rs.841.19 crores in FY2022 as against Rs. 575.56 crores in FY2021. The Company has generated revenue of ~Rs.200 Cr in Q1FY2023. The improvement in revenue is attributable to addition of a new unit (branch) in FY2022. The operating margins remained range bound, as it stood at 2.13 per cent in FY2022 against 2.33 per cent in FY2021. The PAT margins stood at 0.96 per cent in FY2022 against 1.05 per cent in FY2021.

Weaknesses

Modest Financial risk profile

The financial risk profile of the company is modest marked by moderate net worth, gearing and coverage indicators. The tangible net worth of the company stood at Rs. 113.21 crore as on March 31, 2022, as against Rs.105.03 crore as on 31 March, 2021. The gearing and TOL/TNW remained stable at 1.11 times and 1.16 times respectively as on March 31, 2022, as against 1.11 times and 1.15 times as on 31 March 2021. The Total debt of Rs. 125.96 crores as on 31 March, 2022 consist of term loans of Rs.19.39 crores, and short term debt of Rs. 106.56 crores. The Debt protection metrics, interest coverage ratio and net cash accruals to total debt (NCA/TD) stood moderate at 2.59 times and 0.07 times, respectively, as on March 31, 2022, as against 2.31 times and 0.05 times, respectively, as on March 31, 2021. DSCR stood at 2.20 times as on March 31, 2022, as against 1.95 times in previous year. However, Debt/EBITDA stood high at 7.03 times as on March 31, 2022, as against 7.46 times as on March 31, 2021.

Acuité believes the financial risk profile of the company is expected to remain moderate in near to medium term backed by expected improvement in operating performance. However, incremental working capital requirements and high reliance on bank lines, marked by average utilisation ranging between 90-95 percent is likely to impact the financial risk profile over the medium term.

Intense competition, Susceptibility to volatility in raw material prices, and market demand along with exposure to real estate

The company has a presence in gems and jewellery industry which is characterised by a large number of organised and unorganised players and intense competition resulting in strain on margins. The business profile of SJIL is linked to level of discretionary spending of the consumers. Further, the company is exposed to volatility in gold and diamond prices. The raw material is procured from the domestic market. Though, the company hedges the fluctuation risk by purchasing gold through metal loans availed from existing lenders and currency forwards, the revenues still remain susceptible to volatility in external price fluctuations. Further, SJIL has a wholly owned subsidiary named Swarnsarita Realty Private Limited (SRPL)

engaged in real estate investment. SJIL had an investment as on March 31, 2022 of Rs.20.96 crore in SRPL in terms of equity capital and long term advances which exposes it to risks in real estate. However, any significant increase in loans and advances will remain a key rating sensitivity factor.

Rating Sensitivities

- > Sustaining growth in revenue while maintaining stable profit margins.
- > Unwinding of exposure in the form of advances to Swarnsarita Realty Private Limited.
- > Deterioration in business risk profile and debt coverage metrics due to higher than expected debt levels.

Material covenants

None

Liquidity Position: Adequate

The liquidity position of the company is adequate marked by moderate net cash accruals against the maturing debt obligations. The Net cash accruals generated ranged between Rs.6.5 crores - Rs.8.33 crores as against no major repayment obligation during last three years ended FY2022. The accruals are expected be within Rs. 10.50 to 11.50 crores, as against repayment obligation of Rs.3.75 to Rs. 4.07 crores for upcoming three years through FY2023-2024. The GCA days stood at 85 days as on March 31, 2022. The bank limit utilization stood high in the range of 90-95 percent. The current ratio of the Company stood at 1.87 and unencumbered cash and bank balance stood at Rs.8.78 Crores as on March 31 2022. Acuite believes that SJIL liquidity position is expected to remain adequate in view of the moderate net cash accruals against debt repayment obligations.

Outlook: Stable

Acuite believes that SJIL will maintain a 'stable' outlook over the medium term owing to its experienced management, established track record of operations and improving revenues. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenue while sustaining its operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of additional exposure in form of loans and advances to group companies or deterioration in the financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	841.19	575.56
PAT	Rs. Cr.	8.07	6.02
PAT Margin	(%)	0.96	1.05
Total Debt/Tangible Net Worth	Times	1.11	1.11
PBDIT/Interest	Times	2.59	2.31

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jun 2021	Cash Credit	Long Term	30.00	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	15.00	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	75.00	ACUITE BB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.38	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.62	ACUITE BB+ Stable (Assigned)
30 Mar 2020	Cash Credit	Long Term	70.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BB+ Stable (Reaffirmed)
10 Jan 2019	Cash Credit	Long Term	30.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	5.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	65.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
12 Dec 2017	Cash Credit	Long Term	65.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	15.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	75.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.38	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Working Capital Term Loan	23-03-2021	9.25	30-04-2026	15.00	ACUITE BB+ Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Working Capital Term Loan	24-06-2020	9.25	25-05-2025	3.62	ACUITE BB+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Vaishnavi Deshpande Analyst-Rating Operations Tel: 022-49294065 vaishnavi.deshpande@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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