

## Rathod Jewellery Manufacturing Private Ltd

August 28, 2018

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating1	Rating Action
Short-term Bank Facilities	27.00	<b>CARE A4+; ISSUER NOT COOPERATING (A Four Plus; ISSUER NOT COOPERATING)</b>	<b>Issuer not cooperating; Based on best available information</b>
<b>Total</b>	<b>27.00 (Rupees Twenty Seven crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Rathod Jewellery Manufacturing Private Ltd. (RJ MPL) to monitor the rating vide e-mail communications/letters dated July 03, 2018, August 03, 2018 and August 10, 2018 numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The rating on RJ MPL's short-term bank facilities will now be denoted as **CARE A4+; ISSUER NOT COOPERATING**.

The rating of RJ MPL takes into account susceptibility of margins to volatility associated with gold prices and foreign exchange rates and weak capital structure.

The rating also factors in long standing experience of the promoters and reputed and improvement in the scale of operations and margins.

The ability of the company to scale up the operations and diversify client base thereby reducing client concentration risk, improve profitability margins and capital structure and manage the working capital cycle effectively are the key rating sensitivities.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.***

### Detailed description of the key rating drivers

*At the time of last rating in March 03, 2017 the following were the rating strengths and weaknesses*

#### Key Rating Strengths

**Experienced promoters:** Mr Chandrakant Rathod and Mr Ramesh Kumar Rathod are the promoter directors of the company and look after the overall operations of the organization. Mr Chandrakant Rathod and Mr Ramesh Rathod hail from a family that has been in the jewellery business since the past four decades through Ramesh Kumar Hanjarimal Rathod.

#### Key Rating Weaknesses

**Susceptibility to volatility in gold prices:** The retail gold jewellery industry is a fragmented industry with a high level of competition from both the organized and largely unorganized sector catering to different customer segment. Low entry barriers limit the pricing flexibility leading to minimum scope for margin expansion. The gems and jewellery industry is also affected by international economic scenario and government and RBI regulations.

**Working capital intensive nature of operations:** The operations of RJ MPL are working capital intensive. The company manages the working capital through the working capital facilities and interest free unsecured loan from the promoters.

**Analytical approach:** Standalone

#### Applicable Criteria

Policy in respect of Non-cooperation by issuer

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology-Manufacturing Companies

Financial ratios – Non-Financial Sector

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

### About the Company

Rathod Jewellery Manufacturing Private Limited (RJ MPL) incorporated in 2012 is engaged in manufacturing of gold jewellery products like rings, pendants, earrings, bracelets, bangles and necklaces that are offered in 18 and 22 karat gold.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	181.41	245.30
PBILDT	11.11	23.53
PAT	6.62	14.07
Overall gearing (times)	1.35	1.11
Interest coverage (times)	18.11	24.39

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Packing Credit in Foreign Currency	-	-	-	27.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - ST-Packing Credit in Foreign Currency	ST	27.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (07-Mar-17)	1)CARE A4+ (10-Feb-16)

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