Ausil Corporation Private Limited (Revised)

July 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	35.00	CARE BBB; Stable	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Ausil Corporation Private Limited (ACPL) derives strength from its experienced and resourceful promoter group, established track record of over three decades of Zaveri group in bullion trading and export of bulk gold jewellery business and sound risk management policies adopted by ACPL to mitigate its exposure to price volatility risk associated with precious commodity and exchange rate fluctuation risk.

The rating also takes cognisance of ACPL's healthy scale of operations, satisfactory construction progress and sales momentum in the on-going real estate project i.e. Palash Homes, comfortable capital structure on net debt basis and adequate liquidity. The ratings also factor in significant improvement in ACPL's operating cycle and gross current asset (GCA) days during FY24 attributable to shift in company's policy to conduct business on spot payment basis as against earlier practice of providing extended credit to its customers.

The above rating strengths, are however, partially offset by ACPL's thin profitability, which is susceptible to volatility associated with commodity (gold bars) prices and revenue visibility being susceptible to change is government regulations and grant/renewal of requisite licenses. The rating also take into consideration significant investment of its surplus to group companies.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in its scale of operations along with PAT margin in excess of 4% on a sustained basis
- Improvement in the credit profile of parent company i.e. Zaveri and Company Private Limited (ZCPL; rated CARE A-; Stable / CARE A2+)

Negative factors

- Decline in scale of operations owing to adverse regulatory changes affecting its demand or operating environment
- Deterioration in its financial risk profile on account of availment of any major fund-based bank finance without it being entirely backed by FD and/ or customers' banks LC.
- Deterioration in the credit profile of the parent company i.e. ZCPL

Analytical approach: Standalone while factoring in strong managerial, operational and financial linkages with its holding company, Zaveri and Company Private Limited (ZCPL).

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings) expectation that the company shall be able to sustain its financial risk profile in medium term and benefit from promotors experience in precious commodity trading and jewellery business.

Detailed description of the key rating drivers:

Key strengths

Experienced and resourceful management

ACPL is a wholly owned subsidiary of ZCPL, the flagship entity of the Zaveri Group (ZG), promoted by the Ahmedabad-based Mandalia family. ZCPL is engaged in the trading of precious commodities, gold refining, wholesale jewellery manufacturing and its exports, trading and investing in shares and mutual funds (MFs), and electricity generation. Post acquisition of ACPL, Zaveri group commenced the bulk gold jewellery and bullion trading business in this entity as well.
As on March 31, 2024 ZCPL has extended loans of around Rs.44.87 crore (Rs.79.57 crore) to support the operations of ACPL. ACPL's present operations are managed by the second and the third generation of the promoters and they are supported by a team of professionals. The present management has over three decades of experience in precious commodity trading and jewellery sales.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Healthy scale of operations, albeit susceptibility of revenue to change in government regulations

FY23 marked the first year of ACPL's operations wherein it achieved a TOI of Rs.2535 crore. TOI of FY24 grew by 31% on a y-o-y basis to Rs.3320 crore. The increase in TOI during FY24 was led by commencement of bullion trading in the domestic market post receipt of requisite licence from Directorate General of Foreign Trade (DGFT) to import specified quantity of gold at a lower custom duty. During FY24, sales of bulk jewellery accounted for around 85% of ACPL's TOI (FY23: 99%), followed by domestic bullion trading 13% (PY: nil) and balance from sale of solar modules and land.

Going forward, CARE Ratings expects ACPL's TOI to remain susceptible to changes in government regulations, renewal/ grant of requisite license, etc.

Comfortable financial risk profile

ACPL's capital structure remained comfortable marked by overall gearing (on net bank debt basis) of 0.41x (PY:1.19x) against tangible net worth of Rs.152.96 crore as on FY24 end. ACPL follows policy of availing working capital limits from bank which are either backed by FDR (of ZCPL/ ACPL) or customer's Letter of credit (LC). As on FY24 end, apart from working capital borrowings fully backed by FDRs, total debt of the company comprises of term debt for its real estate project and unsecured loans from related parties.

Satisfactory construction progress and healthy sales momentum in the on-going real estate project

ACPL is currently undertaking a real estate project 'Palash Homes' in Ahmedabad, Gujarat having a total cost of Rs.125 crore, to be funded through promoter's contribution, term debt and customer advances in the ratio of 25: 28: 47. The project is expected to be completed by March 2026.

The project progress remains satisfactory with around 50% of the construction cost incurred till May 15, 2024. Furthermore, the sales momentum remains healthy with around 45% of the units sold till May 15, 2024 and the committed receivables ratio (committed receivables from sold units to pending construction cost and O/s debt) remained satisfactory at 89% as on May 15, 2024.

Sound risk management policies

ACPL's procurement of precious commodities (gold bars) is entirely backed by confirmed order from the customers, thereby resulting in minimal inventory and susceptibility to price volatility risk. The company also enters into back-to-back forward contracts for exports as well as imports to minimise price and forex fluctuation risk.

Key weaknesses

Thin profitability which is susceptible to volatility in gold prices and regulatory risk

Major revenue of ACPL is derived from sale of export jewellery and bullion trading. Bulk export of gold jewellery which yield operating margin of 3.5% - 4.50%, while bullion trading is high volume low value addition segment resulting in thin operating margin.

ACPL's PBILDT margin declined by 65 bps on a y-o-y basis to 4.35% during FY24 (FY23: 5.00%) owing to commencement of bullion trading in domestic market during FY24 which carries low profit margin. PAT margin declined by around 168 bps on a y-o-y basis to 2.59% (FY23: 4.27%) during FY24 owing to higher interest costs during FY24.

CARE Ratings expects ACPL's profitability to moderate in FY25 with expected increase bullion trading business and bulk jewellery exports limited to order-backed transactions on spot payment basis.

Exposure in the form of investments and/or loans and advances in group companies

The company has investments and loans and advances o/s to the tune of Rs.27.62 crore as on FY24 end (FY23: Rs.104.29 crore) against net worth of Rs. 152.96 crore as on FY24 end (FY23: Rs.66.85 crore). Going forward with low working capital intensity of existing operations, the surplus funds are expected to be invested in group companies. Significant increase in exposure towards group entities, thereby impacting the credit profile of ACPL would be a key rating monitorable.

Liquidity: Adequate

ACPL's liquidity remains adequate on the back of its entire working capital bank borrowings being secured against fixed deposit and / LC issued by the customer's bank (Bill discounting), sufficient cushion in GCA vis-à-vis its debt repayment obligation and healthy cash flow from operations.

As a result of switching over the jewellery export business on spot payment basis as against the earlier practice of providing extended credit during FY23, ACPL's GCA days improved significantly to 41 days during FY24 as against 410 days in FY23. The same has resulted into generation of sizeable cash flow from operations of Rs.1765 crore during FY24 as against negative cash flow during FY23. CARE Ratings expects that the company will continue its adequate liquidity position going forward with continuation of majority of its business on cash basis.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Rating methodology for Real estate sector
Wholesale Trading

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

Ausil Corporation Private Limited (ACPL) (Erstwhile Jyoti Corporation Private Limited) was acquired by Zaveri & Co. Private Limited (ZCPL) in FY22 (effective date of acquisition October 14, 2021) under Corporate Insolvency Resolution Process (CIRP). ACPL is engaged in manufacturing and export of bulk gold jewellery and trading of gold bullions in the domestic market.
Apart from dealing in precious commodities, ACPL is also engaged into trading of solar modules and has launched a real estate project 'Palash Homes' in 2022 having a total saleable area of 5.71lsf.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	2,534.98	3,319.92
PBILDT	126.83	144.42
PAT	108.20	86.11
Overall gearing (times)	35.87	1.32
Interest coverage (times)	3.22	1.88

A: Audited; Prov: Provisional; Note: 'the above results are latest financial results available'
*On net debt basis i.e. excluding debt backed by 100% FD and/or LC received from customer's bank from Total debt, the overall gearing during FY22 and FY23 is 1.19x and 0.41x respectively

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	May, 2027	35.00	CARE BBB; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	35.00	CARE BBB; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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