

Shirpur Gold DMCC

July 02, 2024

| Facilities | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|------------------|---------------------------------|---|
| Long Term Bank Facilities | 75.00 | CARE D; ISSUER NOT COOPERATING* | Rating moved to ISSUER NOT COOPERATING category |

Details of facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Shirpur Gold DMCC (SGD) to monitor the rating vide e-mail communications dated June 04, 2024, June 11, 2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on SGD's bank facility will now be denoted as **CARE D; ISSUER NOT COOPERATING***.

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

The ratings take into account the continuous delays in debt servicing of its working capital limits as confirmed by one of its lenders and as per the latest submitted NDS dated June 13, 2024, for the month of May 2024.

Analytical approach: Standalone

Detailed description of the key rating drivers:

At the time of last rating on January 10, 2024, the following were the key rating strengths and weaknesses (updated for the information i.e., FY24 (A) results which were obtained from Parent company's website):

Key weaknesses

Delays in debt servicing: The account continue to remain in default category on account of delay in its debt servicing for its working capital limits as confirmed by one of its lenders. Also, as per the latest NDS received on June 13, 2024, for the month of May 2024, there are on going delays.

Weak credit profile of the parent company, i.e., SGRL: The credit profile of SGRL continue to remain weak with accounts of SGRL being classified as non-performing assets (NPA). The liquidity position of the parent continued to remain stretched. As per latest FY24 audit report there are ongoing delays and defaults.

Moderate gearing level and weak debt protection metrics: The operations of the company being working capital intensive, the reliance on external borrowings, continued stable debt levels, however, the overall gearing deteriorated to 2.64x as on March 31, 2024, from 1.59x as on March 31, 2023, on account of reduction in net worth due to losses during FY24.

Significant decline in TOI and losses reported in FY24: The company's total operating income (TOI) declined significantly by over 49% on a YoY basis in FY24. Further, in FY24, SGD reported losses of AED 2.64 Crore.

Working capital intensive nature of operations: The operation of the company remains working capital intensive, as dore suppliers insist on advance payment or provide credit of upto fifteen days, whereas the company provides credit period of around 25-30 days to its customers. Further, the working capital cycle of the company deteriorated to 26 days in FY24 as against 15 days in FY23.

Susceptibility to changes in government regulations: Any unfavourable revision in the duty structure and regulations can adversely affect SGD's revenue and profitability.

Key strengths

Experienced management: SGD is a part of Essel group, which has its presence in diversified sectors such as television broadcasting, cable distribution, direct-to-home satellite service and digital media amongst others. The company is supported by professionals who have vast experience in the gold business.

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

Acquisition for gold mine in FY18: SGD acquired 70% shareholding rights of MEAM for gold mines located at Bamako, Mali during FY18. MEAM holds the exploration permit over an area of 23.2 km located at Kangaba, Koulikoro region, Mali, and has obtained Small Scale Mining License from Ministry of Environment. The said acquisition would lead to captive sourcing of raw materials at competitive rates. However, the subsidiary is yet to commence operations and thus the impact of the acquisition remains to be seen. As of Now, the mining license of the entity has been renewed as the same is compulsory to renew it every 4 years. Further, the company is evaluating an option to enter JV Partner with whom they can collaborate and start the operations or for an outright sale as well.

Liquidity: Poor

The liquidity position of the company continues to remain poor characterized by on-going delays in debt servicing of its working capital limits which is still in default category as confirmed by one of its lenders.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Policy On Curing Period](#)

About the company and industry

Industry classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|--------------------------|----------|--------------------------------|------------------------|
| Services | Services | Commercial Services & Supplies | Trading & Distributors |

Shirpur Gold DMCC (SGD; erstwhile Zee Gold DMCC) is a part of Essel group with 100% holding of Shirpur Gold Refinery Limited (SGRL; rated CARE D; Issuer Not Cooperating vide its PR dated July 20, 2023). SGD commenced its commercial activities from January 05, 2016. SGD is broker member of Dubai Gold & Commodities Exchange. The company is engaged in processing (Outsourced) and trading of gold bars from gold dore. SGD procures raw material (dore) from Latin America and sells largely in Dubai market. SGD has tie up with mining companies from gold producing countries in Latin America, Australia, Africa etc. to ensure proper and regular supply of gold dore. Post procurement, refining is done through Dubai Good Delivery refiners like Al Etihad Gold Refinery DMCC, Dubai. After getting the refined bars of 99.5% purity the same are sold to bullion banks like Standard Bank of London, RAK Bank Dubai and other wholesale traders in Dubai. SGD acquired 70% stake in Metalli Exploration and Mining (MEAM) in Mali, Bodoko in FY2018.

| Brief Financials (AED crore) | March 31, 2022 (A) | March 31, 2023 (A) | March 31, 2024 (A) |
|------------------------------|--------------------|--------------------|--------------------|
| Total operating income | 259.35 | 244.85 | 122.69 |
| PBILDT | 1.15 | 0.84 | -2.10 |
| PAT | 1.18 | 0.58 | -2.64 |
| Overall gearing (times) | 1.80 | 1.59 | 2.64 |
| Interest coverage (times) | 4.05 | 1.72 | -3.03 |

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of various facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Working Capital Demand loan | | - | - | - | 75.00 | CARE D; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information.

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-Working Capital Demand loan | LT | 75.00 | CARE D; ISSUER NOT COOPERATING* | - | 1)CARE D (10-Jan-24) 2)CARE B; Stable (04-Jul-23) | 1)CARE B; Stable (28-Jun-22) | 1)CARE B; Stable (16-Jun-21) |

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Working Capital Demand 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:

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Disclaimer:

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