

## Sawansukha Jewellers Private Limited

September 09, 2024

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Short-term bank facilities	70.00	CARE A2+	Revised from CARE A2

Details of facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Sawansukha Jewellers Private Limited (SJPL) take into account the increasing scale of operation and absolute profitability over the years. Despite moderation in profitability margin in FY24 (refers to the period April 1 to March 31), the absolute PBILDT has increased with increase in turnover. Furthermore, the rating derives comfort from its comfortable financial risk profile with moderate debt position and nil long-term debt repayment obligation.

The rating also derives strength from its extensive experience of the promoters having long track record and established brand name in Kolkata, in-house designing capability and wide range of product offerings.

The above strengths are however constrained by its high inventory holding period and presence in a highly competitive and fragmented industry with fairly volatile gold prices.

The rating also takes note of the credit risk associated with non-receipt of the payment from exporters, as the same is not backed by letter of credit (LC).

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growing scale of operations marked by total operating income (TOI) of more than ₹1000 crore with improved profitability margins of more than 9% on a sustained basis.
- Improving debt coverage indicators with TDGCA going below 2x on a sustained basis.

#### Negative factors

- Declining TOI below ₹400 crore with PBILDT margin below 6% on a sustained basis.
- Elongating operating cycle beyond 150 days on a sustained basis.
- Deteriorating overall gearing beyond 0.50x on a sustained basis.

### Analytical approach: Standalone

**Outlook:** Not Applicable

### Detailed description of the key rating drivers:

#### Key strengths

##### Extensive experience of the promoters

The promoters of SJPL have more than two decades of experience in the jewellery industry. The business has been managed by multiple generations of the Sawansukha family, supported by a team of experienced professionals. The day-to-day affairs of the company are looked after by Siddhartha Sawansukha, who has an experience of around 17 years in this business. Long-standing presence has given him strong insights on consumer-buying patterns and trends in jewellery design.

##### Long track record and established brand name in Kolkata

Rupchand Sawansukha, the promoter, has been engaged in the business of gold jewellery since more than two decades. 'Sawansukha' has a well-established brand image, known for its unique designs of handmade jewellery created by a wide network of artisans, as opposed to the machine-made jewellery purchased from wholesalers. The company's brand image and reach has enabled them to expand their footprint as well as enter into export market. Recently, the company opened a new showroom in Raipur and is planning to further expand its presence in Dhanbad, Guwahati, and Delhi.

##### In-house designing capability and wide range of product offerings

SJPL has an in-house design department wherein the company develops specialty designs according to the latest market trends and customer preferences. The manufacturing activity is outsourced to a network of around 300 artisans across the country. The requirement of gold bars is estimated in the administrative office and the bullion bars purchased are issued to the artisans. Since major part of the sales is of handmade jewellery, strong relationship with the artisans aids the company in bringing innovative designs and maintain margin. SJPL offers a wide range of products along with dedicated segments for gold ornaments, diamond jewellery, platinum jewellery, silver ornaments, gold bars, pearls, etc., to its customers.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Substantial growth in revenue from operations albeit moderation in margin in FY24

The total operating income (TOI) of the company grew substantially from ₹399.21 crore in FY23 to ₹560.59 crore in FY24 (Prov.) on the back of increase in price of gold metal and volume of jewellery sold. The sales realization of gold jewellery increased from ₹4,552/gm in FY23 to ₹5,149/gm in FY24 due to substantial increase in gold price. The exports of the company increased from ₹180 crore in FY23 to ₹326 crore in FY24. Gold jewellery is sold at a lower margin in the export market due to the high level of competition. The PBILDT margin moderated to 6.98% in FY24 from 9.10% in FY23 due to an increase in exports which fetch lower margin as compared with domestic sales. The company earned a PAT of ₹30.23 crore in FY24 vis-à-vis ₹29.19 crore in FY23.

### Comfortable financial risk profile with moderate debt position

The overall gearing of the company though moderated slightly, remained comfortable at 0.41x as on March 31, 2024 (Prov.) (0.36x as on March 31, 2023). The moderation was on account of higher utilization of gold metal loan for exports. The debt coverage indicators also witnessed moderation but continues to remain satisfactory as reflected by PBILDT interest coverage and total debt/GCA of 8.30x in FY24 (13.69x in FY23) and 3.32x as on March 31, 2024 (prov.) (2.76x as on March 31, 2023) respectively. The debt coverage indicators are expected to improve further going forward with gradual accretion of profits to reserves.

Furthermore, the company has sizeable debt which is covered by 100% fixed deposit margin which provides comfort from credit perspective.

### Key weaknesses

#### High inventory holding period leading to high operating cycle

The operations of SJPL are working capital intensive owing to high inventory levels which are needed to be maintained across showrooms in order to attract and retain customers. However, the same has witnessed an improvement with inventory days improving from 167 days in FY23 to 134 days in FY24 and accordingly, operating cycle improving from 173 days in FY23 to 144 days in FY24.

The average collection period remained at around 15-25 days during the last three years. The payments received from the exporters are not backed by LC. Hence, there is credit risk associated with non-receipt of the payment from them. The same is, however, mitigated to an extent as the clients are of repute, and SJPL has long-standing relationship with them.

### Presence in industry, which is highly competitive and regulated with fairly volatile gold prices

The gems and jewellery sector is highly fragmented. The retail segment has high dominance of unorganised players and even more so in case of manufacturers. This creates high competition for the organised players leading to pressure on pricing flexibility, which impacts the margins of the companies. The jewellery sector has seen high regulatory interventions in the past. Recent developments include mandatory PAN number collection for the purchase of gold jewellery beyond ₹2 lakh, mandatory hallmarking of gold jewellery, etc. The government also modifies import duty on gold. On the investment side, the government is promoting gold bonds and schemes as an alternative to physical gold. All these interventions have affected the demand and supply in the past as well as continue to remain important from credit perspective.

Gold, being an important commodity and a mode of investment, the prices of which have remained fairly volatile, also impacts the margins of the companies in the industry. The volatility in the margin is mitigated to a large extent by availing Gold Metal Loan (GML). GML is a mechanism under which a jewellery manufacturer borrows gold bullions against the security of a FD and settles the loan with the sale proceeds obtained. In case there is an increase in the price of gold, the company receives the sale proceeds from its customers at the increased price which is in turn utilised towards the repayment of GML. Hence, an increase in the gold prices is not likely to have any major impact on the company.

### Liquidity: Adequate

The liquidity of the company is marked adequate with company earning GCA of ₹31.58 crore against nil debt repayment obligation and sufficient cash and bank balance (including margin money) of ₹74.20 crore as on March 31, 2024 (Prov.). The capex requirements of the company are small in relation to the opening of new stores and the same is expected to be funded through internal accruals only. The average working capital utilization stood at around 51% for the past 12 months ending June 2024. The current ratio is comfortable at 5.64x as on March 31, 2024. Sufficient cash accruals, the cash and bank balance, investments and unutilized credit lines provide ample cushion from liquidity perspective.

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Retail](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

SJPL was earlier established as a proprietorship firm by Rupchand Sawansukha with only one jewellery shop in Burrabazar, Kolkata. Later, it was reconstituted as a private limited company in September 1995. The company is engaged in the manufacturing and retailing of gold, silver, diamond and jadau jewellery through four retail showrooms, with three of them located in Kolkata, one showroom in Siliguri and one in Raipur.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	399.21	560.59
PBILDT	36.32	39.12
PAT	29.19	30.23
Overall gearing (times)	0.36	0.41
Interest coverage (times)	13.69	8.30

A: Audited; UA: Unaudited; 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 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 - ST-EPC/PSC		-	-	-	70.00	CARE A2+

**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 - ST-EPC/PSC	ST	70.00	CARE A2+	-	1)CARE A2 (23-Jan-24) 2)CARE A2 (07-Aug-23)	1)CARE A2 (06-Jun-22)	-

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 - ST-EPC/PSC	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](mailto:care@careedge.in) for any clarifications.

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