

Susheel Jewellery Mart Private Limited

December 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2.63 (Reduced from 2.81)	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	47.00	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Susheel Jewellery Mart Private Limited (SJ MPL) continues to derive strength from the experienced promoters and the company's established track record in the jewellery retail business. The showrooms are strategically located with good brand recall translating to consistent improvement in scale. The financial risk profile is satisfactory with stable profitability margins and debt coverage indicators.

However, rating strengths are constrained by the company's modest scale of operations, the working capital-intensive nature of retail operations, highly fragmented and competitive jewellery retail industry, and vulnerability of its margins to gold price volatility and regulatory risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations beyond ₹500 crore while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin over 8% and improvement in total outside liability to total net worth (TOL/TNW) less than 1x.
- Improvement in inventory days below 100 days on a sustainable basis.

Negative factors

- Sharp decline in the scale of operations and contraction in the profitability margins by 200 bps.
- Stretching of operating cycle impacting its liquidity position.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believe SJ MPL will continue to maintain growth in scale and sustain its margins, considering established track record of operations and experienced promoters in the retail business.

Detailed description of key rating drivers:

Key strengths

Vast experience of promoters in jewellery business with established track record of operations

Incorporated in 2002, SJ MPL was promoted by D Manohar, who is engaged in jewellery business for over four decades since 1975. D Manohar is ably supported by his brother, D L N Murthy along with the family members involved in the day-to-day business activities across all the four showrooms. In CARE Ratings opinion, having established and long track record, SJ MPL has been able to create its brand recall in the cities it operates despite huge competition from other local and branded jewellery players.

Strategic location of stores resulting improved revenue per square feet (sq ft)

SJ MPL commenced its first retail showroom at Hosur in 2002. To increase its scale of operations and to diversify to new geographies, the company opened showrooms at Kolar, Karnataka in 2013, Tumkur, Karnataka in 2017 and Malur, Karnataka in FY20. All these showrooms are located in prime locations. The company operates four showrooms with total area of 15,450 sq ft and offers wide product offerings along with dedicated floors/segments for gold, silver and gemstone jewellery to customers. Besides this, the company is also opening another showroom in Hosur of nearly three floors of 14000 sq ft, the construction of which commenced from November 2022 and was expected to be operational by March 2024, but due to delays in some approvals, the opening has been postponed. Currently, the work is in advanced stages. The company now expects the store to be operational

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

by February 2025. CARE Ratings believes addition of another showroom will augment the company's scale and sales is likely to grow at compound annual growth rate (CAGR) of 10-15% over the near-to-medium term.

Long standing relationship with established base of artisans

SJMPL's long-term relationships with artisans and manufacturers across various regions mitigate the risk of availability of contractual manpower needed to meet gold jewellery demand. Additionally, manufacturers provide the latest trending designs across the country that cater latest market needs. This blend of external procurement and in-house craftsmanship allows the company to maintain a balance between variety and exclusivity in its product lineup

Satisfactory financial risk profile and also stable profitability margins

TOL/TNW largely remained stable at 1.12x as on March 31, 2024, from 1.15x as on March 31, 2023, with improved profitability and reinvestments of profits in the business. Furthermore, interest coverage ratio improved at 5.21x in FY24, in comparison to 4.73x in FY23. Earnings before interest, taxation, depreciation, and amortisation (EBIDTA) margins have been stable and were maintained above 8% since FY20, despite the volatility in prices of raw materials. Improving sales from the existing and new outlet and sustaining profitability and overall gearing levels would be the key rating monitorable going forward.

Key weaknesses

Modest scale of operations albeit improving

Scale of operations continued to remain modest, despite consistent growth witnessed in the last few years. Sales improved to ₹249 crore in FY24 (FY23: ₹201 crore), primarily lead by growth in realisation and volume, which grew by 14.9% and 8.5%, respectively for gold jewellery segment. In H1FY25, the company has booked ₹140 crore (H1FY24: ₹117 crore) lead by growth in volumes and realisation.

Working capital intensive nature of operations

Jewellery retailing business is inherently working capital intensive because of the optimal inventory required to be maintained across the stores, given the need to display varied designs of jewellery to customers. SJMPL maintains inventory of 200-210 kg gold at its showrooms to provide a wide range of designs to its customers resulting in higher inventory holding and elongated working capital cycle. The operating cycle continues to remain elongated at 187 days in FY24; albeit slight improvement compared to 193 days in FY23.

Highly fragmented and competitive nature of the industry

The gold and jewellery industry is highly fragmented and is characterised by the presence of a large number of organised and unorganised players with the share of organised jewellery retail sector at 30%. In case of manufacturing segment, the dominance of unorganised players is even higher. This creates stiff competition for the organised players. Apart from this, Regulatory intervention such as compulsory hallmarking, and requirement of permanent account number (PAN) among others, change in regulation of gold related savings schemes coupled with changing consumer preferences among others impacts the sector's overall operating performance.

Vulnerability of its margins to volatility in gold prices

In a price-sensitive market, higher gold prices lead consumers to delay their purchases. Additionally, lending to the sector remains cautious with enhanced due diligence and checks on credit and inventory quality. Tightened credit has impacted store expansion plans and the working capital of industry players, particularly those in the unorganised sector. SJMPL's primary raw material is gold, making its profitability vulnerable to volatile gold prices. SJMPL sources 20-25% of its gold through gold metal loans, 40-45% from private vendors, and 30-40% through the exchange of old ornaments. The company mitigates gold price volatility to some extent by replenishing the day's sales with an equivalent amount of stock within a day.

Liquidity: Adequate

Liquidity is adequate marked by sufficient cushion in accruals against repayment obligations. The company's current ratio stood at 1.92x as on March 31, 2024 (March 31, 2023: 1.97x). The average working capital utilisation remains high at 92.40% during the 12 months period ended September 2024. Increased demand of jewellery products and increased prices of underlying asset gold has kept the utilisation at higher levels.

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](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Gems, jewellery and watches

SJMPL was incorporated in 2002 and promoted by Mr. D Manohar and Mr. D L N Murthy as a family business. The company is engaged in retailing gold, silver and stone studded jewellery through its four retail showrooms located at nearby districts of Bengaluru, Hosur (Tamil Nadu) and in Kolar, Tumkur and Malur (all in Karnataka).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	201.39	248.90	140.88
PBILDT	16.64	20.83	NA
PAT	9.41	12.12	NA
Overall gearing (times)	0.41	0.36	NA
Interest coverage (times)	4.64	5.21	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	June 2025	2.63	CARE BBB-; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	47.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for 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	2.63	CARE BBB-; Stable	-	1)CARE BBB-; Stable (02-Jan-24)	1)CARE BBB-; Stable (17-Nov-22)	1)CARE BBB-; Stable (23-Feb-22)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	47.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (02-Jan-24)	1)CARE BBB-; Stable / CARE A3 (17-Nov-22)	1)CARE BBB-; Stable / CARE A3 (23-Feb-22)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

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

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About us:

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