

Zaveri and Company Private Limited

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	100.00	CARE A-; Stable / CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to Zaveri and Company Private Limited (ZCPL) continue to derive strength from experience of its promoters in bullion trading and bulk gold jewellery export businesses and sound risk management practices adopted by ZCPL to mitigate its exposure to price volatility risk associated with the precious commodity (mainly gold) and exchange rate fluctuation risk. The ratings also factor in its sustained scale of operations, its comfortable financial risk profile on net debt basis (with a policy to back its entire bank debt against fixed deposit receipts (FDR) and / or Letter of Credit (LC) from its customers' banks) and its adequate liquidity.

The above rating strengths are, however, partially offset by ZCPL's thin operating margin which is also susceptible to changes in government policies. The ratings are further constrained by significant investments and loans advanced to group companies, credit risk associated with clean export debtors (not backed by LC) and its contractual obligation to provide financial support to its relatively weaker group concerns.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations of Zaveri group along with earning PAT margin in excess of 2% on a sustained basis while continuing to practice sound risk management policies to mitigate price volatility and foreign exchange fluctuation risks associated with its precious commodity business
- Maintaining a comfortable leverage on net debt basis by strictly following its stated policy to back its entire bank/external debt by way of fixed deposits and / or LC from its customers' banks.
- Effective management of working capital requirements through elimination of credit risk associated in its current business model and following it on a sustained basis.

Negative factors

- Availment of any major fund-based bank finance without it being backed by FD and / or customers' banks LC, resulting in an increase in net bank debt to above Rs.250 crore on a sustained basis.
- Keeping currency and commodity risk open on a sustained basis.
- Adverse regulatory changes affecting demand for company's products or its operating environment.
- Further extension of any corporate guarantee leading to moderation in company's adjusted overall gearing (based on net bank debt) beyond 0.65x.

Analytical approach: Consolidated. The company has operational and financial linkages with its subsidiaries and hence consolidated approach has been considered. List of subsidiaries and step-down subsidiaries has been attached as **Annexure- 6**.

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings) expectation that the company shall be able to sustain its credit risk profile in the near to medium term, backed by promoters experience in processing of gold and export of gold jewellery and its sound risk management practices with a comfortable overall gearing (net bank debt basis).

Detailed description of key rating drivers:

Key strengths

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

Experienced and resourceful management:

ZCPL, the flagship entity of the Zaveri Group (ZG), was initially incorporated in 1958 by the Ahmedabad-based Mandalia family, first-generation entrepreneurs, for manufacturing and trading of jewellery. Subsequently, the company diversified into precious commodity trading and gold refining business. ZCPL's present operations are managed by the second and the third-generation family members of the promoters and they are supported by a team of professionals. The present management has over two decades of experience in precious commodity trading and jewellery sales.

Sound risk management practices:

ZCPL's procurement of precious commodities (gold dore bars and gold bars) is majorly backed by confirmed orders from the customers in the domestic market, thereby mitigating the price volatility risk associated with sale of bullion. Procurement of dore bars, which is not backed by confirmed orders, is hedged through Commodity Exchanges.

Comfortable credit risk profile, albeit investments and advances to group entities along with contractual obligation to support weaker entities:

ZCPL's capital structure (on a consolidated basis) remained comfortable, marked by an overall gearing (on net debt basis) of 0.16x (PY: 0.09x), against tangible net worth of ₹.908.82 crore as on FY24 end.

ZCPL follows a policy of availing working capital limits from banks which are either backed by FDR and/or customer's LC, mitigating the credit risk to a large extent.

ZCPL, being the flagship entity of the group, has invested ₹457 crore as on FY24 end (PY: ₹413 crore) in group entities as equity commitments and advances in the real estate and renewable power businesses. Apart from this, ZCPL has also extended corporate guarantees to the lenders of group companies to the tune of around ₹210.22 crore as on FY24 end (PY: ₹907.23 crore). Considering the above, adjusted overall gearing (net debt basis) stood at 0.79x as of FY24 end (PY: 3.16x).

On standalone basis, ZCPL has comfortable financial risk profile marked by nil overall gearing (net debt basis) FY24 end, similar to FY23 end.

Sustained scale of operations:

ZCPL derives its revenue majorly from bullion trading and export of bulk gold jewellery. During FY24, ZCPL's scale of operations largely remained stable at ₹8141.28 crore as compared to ₹8633.08 crore in FY23. Marginal reduction in TOI in FY24 is attributed to moderated demand for gold jewellery in domestic market with a sustained increase in gold prices, which resulted in moderation in the sales of bullion during the year. Revenue from export of jewellery however improved to ₹4560 crore in FY24 as compared to ₹ 2514 crore in FY23.

On standalone basis, ZCPL reported a TOI of ₹4824.18 crore in FY24 (PY: ₹ 6144.48 crore) and ₹1936.88 crore in 8MFY25 (H1FY24: ₹ 2061.59 crore) respectively.

Key weaknesses

Thin profitability which is susceptible to volatility associated with precious commodity trading business and regulatory risks:

Major revenue of ZCPL is derived from the sale of bullion post refining of gold from dore bars, which is a high-volume low value addition business. This results in thin PBILDT margin of 0.2-0.5%. Apart from bullion trading business, ZCPL earns revenue from bulk export of gold jewellery which yields PBILDT margin of 3.5-3.8%.

ZCPL's PBILDT margin improved by 143 bps to 2.79% in FY24 (1.36% in FY23) on account of 81% y-o-y growth in sales from export of jewellery which yields higher margins as compared to sale of bullion.

Credit risk associated with clean export debtors:

Under the jewellery export business, ZCPL has traditionally provided clean credit to customers with a long-standing relationship and a history of timely payments, with balance sales being largely backed by LCs from customers, till FY23. As against these LCs (of up to 270 days), company used to avail export packing credit limits which had an interest subvention benefit. However, from the second half of FY24 (October 1 to March 31), ZCPL shifted primarily to cash model for export sales due to a substantial reduction in the interest subvention, which resulted in a significant moderation in the amount of outstanding debtors to ₹107.74 crore at FY24 end, compared to ₹2255.12 crore at FY23 end and consequently FD/LC backed fund based utilisation also reduced to ₹233.85 crore as on FY24 end (₹ 2349.09 crore at FY23 end). Nevertheless, select sale transactions continue to remain on clean credit (based on customer relationship).

Thus, any delays in recovery or defaults from these clean credit customers shall remain critical for the company's credit risk profile.

Liquidity: Adequate

The company's liquidity profile remains adequate on the back of its moderate net debt position with a large part of its working capital bank borrowings being secured against fixed deposits as on March 31, 2024. Liquidity further gets fillip from the fact that ZCPL's major product portfolio has the characteristic of being readily convertible into cash. Also, it had available liquidity in the form of free cash and bank balance [incl. liquid investments ₹29.55 crore as on March 31, 2024 (PY: ₹ 14.76 crore)].

Operating cycle remained comfortable at 39 days in FY24 (35 days in FY23) due to policy of maintaining low inventory and dispatch of goods (bullion) post receipt of payment from customers.

Switching over the jewellery export business on spot payment basis as against the earlier practice of providing extended credit during FY23 resulted into significant improvement in ZCPL's GCA days from 151 days in FY23 to 40 days during FY24. The same also resulted into generation of sizeable cash flow from operations of ₹1435.82 crore during FY24 as against negative cash flow during FY23.

CARE Ratings expects that the company will continue to maintain its adequate liquidity profile going forward with continuation of majority of its business on cash basis.

Assumptions/Covenants: Not Applicable

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

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[Factoring Linkages Parent Sub JV Group](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Ahmedabad based ZCPL is the flagship entity of Zaveri group of Gujarat. It was initially setup in 1958 as a partnership firm by members of Mandalia family for undertaking business of jewellery manufacturing and trading. The firm was later reconstituted as a private limited company in 2004. ZCPL undertakes trading of precious commodities (including bullion and diamonds), refining of gold from dore bars (semi pure alloy of gold and silver), wholesale jewellery manufacturing & its exports, trading/ investing in shares and mutual funds (mainly for its own portfolio) and electricity generation (through windmills). ZG has diverse business interests like trading of precious commodities, retail jewellery shops, power generation through wind, hydro and solar projects (aggregate power generation capacity of the group is 125.6 MW) and real estate and leasing of commercial property (through its various group entities).

Brief Financials (₹ crore) -Consolidated	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	8633.08	8141.28
PBILDT	117.36	227.10
PAT	109.10	188.67
Overall gearing (times)*	0.09	0.16
Interest coverage (times)	2.12	2.75

A: Audited, Note: these are latest available financial results

As per the provisional financials for 8MFY25, ZCPL on a standalone basis, reported TOI of ₹1936.88 crore

*Net debt basis i.e. excluding debt backed by 100% FD and/or LC received from customer's bank from Total debt.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

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/Non-fund-based-LT/ST		-	-	-	100.00	CARE A-; Stable / CARE A2+

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/Non-fund-based-LT/ST	LT/ST	100.00	CARE A-; Stable / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (07-Dec-23) 2)CARE A-; Stable / CARE A2+ (03-Apr-23)	1)CARE A-; Stable / CARE A2+ (04-Apr-22)	-

LT: Long term; ST: Short 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/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Ausil Corporation Private Limited	Full	Operational and financial linkages
2	Zaveri Enterprise Private Limited	Full	
3	Sarabhai Enterprise Private Limited	Full	

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.

Contact us

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About us:

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