RBZ Jewellers Limited

February 04, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	20.66	CARE BBB+; Stable	Assigned
Long Term / Short Term Bank Facilities	129.34	CARE BBB+; Stable / CARE A3+	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to bank facilities of RBZ Jewellers Limited (RBZ) derive strength from vast experience of the promoters and the company's established track record in the jewellery manufacturing and its strong customer profile in wholesale jewellery segment. The jewellery retail segment has also reported volume-backed growth in operations backed by increase in retail space and brand presence of "Harit Zaveri" in studded-jewellery retail segment, particularly in Ahmedabad.

The ratings also take cognisance of growth in RBZ's scale of operations in H1FY25 (FY refers to period from April 01 to March 31), its healthy profitability, comfortable financial risk profile and adequate liquidity.

The above rating strengths, however, are partially offset by RBZ's moderate scale of operations, high geographical concentration risk of its retail jewellery segment with revenue derived from its sole store in Ahmedabad and working capital-intensive nature of operations, owing to large inventory requirements. Ratings also factor susceptibility of RBZ's profitability to volatility in gold prices, inherent regulatory risks and intense competition from large organised and local unorganised players limiting its pricing flexibility.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations above Rs.800 crore while maintaining its PBILDT margin on a sustained basis.
- Improvement in working capital cycle below 150 days.

Negative factors

- Decline in scale of operation below Rs.400 crore or PBILDT margin below 10% leading to decline in cash accruals and pressure on coverage indicators.
- Deterioration in overall gearing more than 1x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings) expectations that RBZ will benefit from its experienced promoters, well-established operational track record and comfortable financial risk profile.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with an established track record in jewellery manufacturing

RBZ is engaged in jewellery manufacturing and wholesaling and is currently managed by Mr Rajendrakumar Kantilal Zaveri, Managing Director having more than three decades of experience in jewellery manufacturing industry. He is supported by his son, Mr Harit Rajendrakumar Zaveri, Joint Managing director, who has more than 15 years of experience in the industry. The promoters are actively involved in the company's strategic decisions and their experience has benefitted the company to form long-standing relationships with key suppliers and customers. Promoters are assisted by a team of well-qualified professionals leading critical corporate functions.

Well-established and reputed clientele base in wholesale jewellery segment

RBZ has long-standing relationship with its key customers across 20 states and 72 cities. The clientele includes prominent national retailers, including Titan Company Limited, Malabar Gold Private Limited, Joyalukkas India Limited, Senco Gold Limited, Kalamandir Jewellers Limited and PN Gadgil Jewellers Limited. RBZ has an in-house design development team, which develops designs according to the latest market trends and customer preferences. RBZ's strong client relationships drive repeat business, and it is fairly diversified with the top five customers contributing 27.15% of B2B sales in FY24 (21.04% in FY23).

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

Comfortable financial risk profile
RBZ's net worth base improved significantly post raising around Rs.100 crore, through initial public offer in December 2023, which was utilised towards funding incremental working capital requirements of jewellery retail operations. Consequently, RBZ's capital structure has improved marked by overall gearing of 0.34x as of March 31, 2024, compared to 1.04x as of March 31, 2023.
Its debt coverage indicators remained moderate marked by an interest coverage of 4.89x during FY24 (FY23: 4.54x) and total debt/GCA of 2.99x as on March 31, 2024 (3.96x as on March 31, 2023).
However, with continuous increase in gold prices and expansion of jewellery retail operations, the working capital borrowings increased in H1FY25, resulting in moderation in overall gearing to 0.53x as on September 30, 2024. Interest coverage ratio improved to 6.59x in H1FY25.

Healthy profitability margins susceptible to volatility in gold prices
RBZ's PBILDT margin has remained healthy within the range of 10.65% to 13.15% over the past three financial years ended FY24. In FY24, its PBILDT and PAT margin remained at 11.75% and 6.59% respectively.
In H1FY25, PBILDT and PAT margin improved to 14.29% and 8.60% respectively, mainly on account of increase in share of retail segment. Going forward, Care Ratings expects the company's PBILDT margin to remain in range of 13.00%-14.00%.

Key weaknesses
Growing, albeit moderate scale of operations
RBZ has reported continuous increase in its total operating income (TOI) marked by compounded annual growth rate (CAGR) of 15.85% during last five years ended on March 31, 2024. In FY24, RBZ's TOI grew by 13.7% y-o-y to Rs.327.44 crore during (FY23: Rs.288 crore) backed by volume-backed growth in retail jewellery segment, which accounted for around 60% of TOI.
The average revenue per square feet in B2C segment has improved to ~Rs.1.6 lakh in FY24 compared to ~Rs.1.3 lakh in FY23. Wholesale jewellery segment (including job work, wherein the gold is provided by the vendor) remained largely stable in FY24. During FY24, RBZ recorded job work income of Rs.7.71 crore (FY23: Rs.9.14 crore).
In H1FY25 (provisional), RBZ reported TOI of Rs.199.36 crore, With the expected boost from the festive season in Q3, RBZ is expected to achieve TOI of approximately Rs.500 crore for FY25.

Working capital intensive operations
Jewellery retail business is inherently working capital intensive because of the optimal inventory required to be maintained at the store to display varied designs of jewellery to customers. Amount of inventory maintained is also seasonal in nature with higher levels prior to festive seasons.
The wholesale jewellery segment, apart from finished good stock to display designs, RBZ maintains inventory on the basis of confirmed orders and extends credit up to 30 days. This requires significant investment in working capital, covering both the production cycle and the debtor collection period. With part of IPO proceeds being utilized for building up inventory for retail operations, RBZ's working capital cycle elongated to 243 days in FY24 (FY23: 196 days).

Exposure to volatility in gold prices; mitigated to a certain extent by inventory replenishment
Key raw material, Gold, constituting over 75-80% of its total cost, has exhibited sharp volatility in the past and continues to be driven by global demand supply dynamics, economic growth, forex and interest rates, among others. Moreover, jewellery demand is largely discretionary and is directly linked with macroeconomic factors such as disposable income, inflation levels, and consumer sentiments, among others However, inventory replenishment model followed by RBZ helps in mitigating risk associated with volatility in gold prices to an extent.

High geographical concentration risk in retail segment and intense competition from organised and unorganised players
RBZ operates its sole jewellery retail outlet in Ahmedabad to serve its B2C segment, thereby exposing its retail business to significant geographic concentration risk. Owing to increasing disposable income and favourable demographics of Ahmedabad for jewellery retail, multiple national players and family-owned and operated chains have ventured in the Ahmedabad jewellery retail market in the recent years. Additionally, expanding online presence by players has increased the product portfolio options for end-consumers. These factors combined, limit the pricing flexibility and lead to minimum scope for margin expansion.

Liquidity: Adequate
RBZ has adequate liquidity marked by moderate utilisation of working capital limits, negligible long-term debt repayment obligations and moderate inventory turnover ratio. In December 2023, RBZ has raised Rs.100 crore through IPO, which is utilized to fund incremental capital requirements, primarily of its jewellery retail segment. This resulted in significant increase in its current ratio to 4.21 times in FY24 (FY23: 1.95 times). The average utilisation of its fund-based working capital limits remained moderate ~66% during the last 12 months ended in November 2024. RBZ is likely to generate cash accruals of Rs. 40-43 crore in FY2025,

which along with available unitilized IPO proceeds (Rs. 8.27 crore as on September 30, 2024) and free cash and Bank balance of Rs. 6.36 crore as on September 30, 2024, would be adequate to meet its incremental working capital requirements and long-term debt repayment obligations of around Rs.2.40- 3.25 crore in FY25-FY27.

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
Manufacturing Companies
Retail
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

Incorporated in 2008, Ahmedabad based RBZ jewellers Limited (RBZ; CIN: L36910GJ2008PLC053586) is engaged in design and manufacturing of wide range of Antique Gold Jewellery for prominent clientele on wholesale basis. The company also operates a showroom under the brand name "Harit Zaveri", spread over 11,667 sq. ft. in Ahmedabad.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	288.00	327.44	199.36
PBILDT	37.83	38.49	28.49
PAT	22.33	21.57	17.14
Overall gearing (times)	1.04	0.34	0.53
Interest coverage (times)	4.54	4.89	6.59

A: Audited UA: Unaudited; 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		-	-	05/02/2038	20.66	CARE BBB+; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	124.34	CARE BBB+; Stable / CARE A3+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	5.00	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/ ST-Cash Credit	LT/ST	124.34	CARE BBB+; Stable / CARE A3+				
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	5.00	CARE BBB+; Stable / CARE A3+				
3	Fund-based - LT-Term Loan	LT	20.66	CARE BBB+; Stable				

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 - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the 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.

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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