

Sky Gold and Diamonds Limited (Erstwhile Sky Gold Limited)

April 15, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|---------------------|---------------------|---|
| Long-term / Short-term bank facilities | - | - | Reaffirmed at CARE BBB; Positive / CARE A3+ and Withdrawn |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reviewed and withdrawn ratings of 'CARE BBB; Positive/CARE A3+' outstanding on bank facilities of Sky Gold and Diamonds Limited (SGDL) with immediate effect. The above action has been taken at the request of SGDL and based on the 'No Objection Certificate' received from the lenders that have extended the facilities rated by CARE Ratings, in accordance with CARE Ratings' policy on withdrawal of ratings. CARE Ratings has also withdrawn the outstanding rating of proposed bank facilities based on the declaration from SGDL that such limits have not been availed and there is no outstanding against such proposed rated limits.

Reaffirmation of ratings assigned to SGDL factors in stable operating and financial performance in 9MFY25 and CARE Ratings' expectations of sustained growth in coming years on the back of improving capacity utilisation and growing realisations driven by the increasing demand for gold jewellery in India.

Analytical approach: Consolidated

CARE Ratings has adopted a consolidated approach for SGDL's projected financials while arriving at ratings based on acquisition of 100% equity stake in Starmangalsutra LLP and Sparkling Chains LLP in FY25. Both subsidiaries operate in the same industry as that of SGDL and will have substantial managerial, operational, and financial linkages from FY25 onwards. Subsidiaries considered for consolidation are listed in Annexure-6.

Outlook: Positive

The positive outlook reflects CARE Ratings' view that SGDL's operations are expected to stabilise backed by capacity expansion and recent acquisitions coupled with planned fund raising, which is likely to benefit the financial risk profile and improve the cashflows from operations.

Detailed description of key rating drivers:

Key strengths

Improvement in scale of operations in FY24; likely to sustain in medium term

SGDL's topline improved from ₹1,155 crore in FY23 to ₹1,746.23 crore in FY24 on the back of ~33% YoY growth in sales volumes, led by addition of new customers and increase in wallet share of existing customers, and ~15% YoY growth in realisations. SGDL's major customers are key retailers in trading gold jewellery, who are aggressively expanding their business by opening new outlets. The revenue share from exports is increasing gradually from less than 5% in FY22 to 11% in FY24. Profitability margins expanded by 120 bps considering sale of unique design products manufactured at their recently installed state-of-the art infrastructure in Navi Mumbai. However, margins remain constrained due to the low value-added nature of gold jewellery manufacturing. In FY24, the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin stood at 4.49% against 3.20% in FY23. In 9MFY25, SGDL has achieved sales worth ₹2,490 crore and operating margins continue to remain at ~5% on a consolidated basis. CARE Ratings expects SGDL's scale of operation to improve further in coming years, which will be supported by installed capacity available to meet the ongoing demand and addition of revenue share from its subsidiaries.

Adequate financial risk profile

SGDL's net worth base improved significantly to ₹244.06 crore in FY24 against ₹98.07 crore in FY23 considering fund infusion through preferential issue worth ₹108 crore and promoter infusion worth ₹20 crore, which were utilised towards funding of working capital requirements. Working capital borrowings stood high at ₹274 crore in FY24 (PY: ₹128 crore). Hence, overall gearing continues to remain at 1.35x in FY24 (PY: 1.49x). In Q2FY25, SGDL's board has approved raising of additional equity of ₹270 crore through public/private placement, which could support its capital structure. SGDL's debt coverage indicators are comfortable with total debt/PBILDT at 4.21x (PY: 3.97x) and interest coverage ratio at 3.51x for FY24. CARE Ratings observes,

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

going forward, equity infusion for SGDL will be crucial to support the growing business and reduction in dependence on banks post which the capital structure and credit metrics may improve.

Experienced promoters

The company's promoters, Mangesh Chauhan, Mahendra Chauhan, and Darshan Chauhan, have over a decade of experience in the domestic jewellery industry. The promoters are actively involved in the company's strategic decisions and their experience is expected to benefit the company to form long-standing relationships with key suppliers and customers.

Key weaknesses

Substantial incremental working capital requirements constrain cash flow from operations

While SGDL's operating cycle remains comfortable at 45-55 days with average collection period of 15-20 days and average inventory of 30-40 days in the last two years, the steep rise in SGDL's scale of operations in FY24 translated into substantial incremental working capital requirements of over ₹220 crore against which, the company's gross cash accrual (GCA) stood at ~₹46 crore. Expecting continued growth over the near-to-medium term, SGDL's incremental working capital requirements are projected to remain sizeable compared to its business accruals. Resultantly, the company will depend on external borrowings or additional equity to meet the requirements. CARE Ratings notes that SGDL's sanctioned working capital limits increased by ~₹150 crore in the last 12 months and the company raised ~₹108 crore of fresh equity through preferential allotment. Its average limit utilisation remained high at ~92% in the 12 months ending June 2024. SGDL's ability to meet its funding requirements from external sources in the light of limited business accruals remains a key rating consideration.

Customer concentration risk; partly mitigated by relations with reputed clientele

SGDL has long-standing relationship with its customers which benefits the company through receipt of repeated orders. The clientele comprises reputed gold jewellery retailers such as Malabar Gold Pvt Ltd, Joyalukkas India Pvt Ltd, and Kalyan Jewellers India Limited, among others. However, top 10 customers contributed over 70% of SGDL's total revenue in FY24 and Q1FY25 indicating customer concentration risk. CARE Ratings expects the company to onboard new customers, which is likely to improve customer diversification over the medium-to-long term.

Presence in highly competitive and fragmented jewellery business

The gems and jewellery (G&J) industry is highly fragmented with a high level of competition from both organised and unorganised players, which limits the pricing power. The low value-added nature of operations constrains the profit margins for jewellery manufacturers. The industry players are also exposed to regulatory risks which could impact operations.

Liquidity: Adequate

The liquidity position is marked adequate considering sufficient cushion in accruals against its repayment obligations for FY25. SGDL is expected to generate GCA of ~₹70 crore, against which the company has debt repayments of ~₹10 crore for FY25. The free cash balance stood moderately healthy at ₹13.35 crore and current ratio at 1.32x as on March 31, 2024. The average utilisation of its working capital limits in past 12 months ending June 2024 stood at 92%. CARE Ratings derives comfort from the sizeable fresh equity infusion of ₹108 crore in FY24 and expected enhancement in sanctioned working capital facilities by ~₹150 crore, which indicate SGDL's financial flexibility.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[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, SGDL (erstwhile Sky Gold Limited) is engaged in designing, manufacturing, and marketing gold jewellery. SGDL provides range of designs and uses studded American diamonds and/or coloured stones in many of their jewellery products. The company mostly specialises in 22-Karat gold jewellery and offers a wide range of styles to meet consumer preferences. SGDL caters to several wholesaler showrooms and retailers, buying products in bulk quantities. The manufacturing facility is in Shirawane, Navi Mumbai, with an installed capacity of upto 1,000 kg per month. In FY25, the company acquired 100% equity stake in Starmangalsutra LLP and Sparkling Chains LLP.

| Brief Financials (₹ crore)- Consolidated | 9MFY25 (UA) |
|--|-------------|
| Total operating income | 2490.00 |
| PBILDT | 133.00 |
| PAT | 95.00 |
| Overall gearing (times) | NA |
| Interest coverage (times) | NA |

UA: Unaudited; Note: these are latest available financial results

Note: The company started preparing consolidated financial statements from Q3FY25.

| Brief Financials (₹ crore)- Standalone | March 31, 2023 (A) | March 31, 2024 (A) | 9MFY25 (UA) |
|--|--------------------|--------------------|-------------|
| Total operating income | 1,154.12 | 1,746.23 | 2,170.00 |
| PBILDT | 36.92 | 78.48 | 121.00 |
| PAT | 18.61 | 40.48 | 85.00 |
| Overall gearing (times) | 1.49 | 1.35 | NA |
| Interest coverage (times) | 3.42 | 3.82 | 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 (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|--------------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based - LT/ST-Cash Credit | - | - | - | - | 0.00 | Withdrawn |
| Fund-based - LT/ST-Term loan | - | - | - | March 2027 | 0.00 | Withdrawn |

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 2025-2026 | 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 |
| 1 | Fund-based - LT/ ST-Cash Credit | LT/ST | - | - | 1)CARE BBB; Positive / CARE A3+ (15-Apr-25) | 1)CARE BBB; Positive / CARE A3+ (04-Oct-24) | 1)CARE BBB; Stable / CARE A3+ (04-Dec-23) | - |
| 2 | Fund-based - LT/ ST-Term loan | LT/ST | - | - | 1)CARE BBB; Positive / CARE A3+ (15-Apr-25) | 1)CARE BBB; Positive / CARE A3+ (04-Oct-24) | 1)CARE BBB; Stable / CARE A3+ (04-Dec-23) | - |

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/ ST-Cash Credit | Simple |
| 2 | Fund-based - LT/ ST-Term loan | Simple |

Annexure-5: Lender detailsTo view 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 | Starmangalsutra LLP | Full | Wholly owned subsidiary |
| 2 | Sparkling Chains LLP | Full | Wholly owned subsidiary |

Note: As on December 31, 2024

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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