

Rambhajo's
September 25, 2020

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	-	-	Revised to CARE BB-; Stable (Double B Minus; Outlook: Stable) from CARE BB; Stable (Double B; Outlook: Stable) and withdrawn
Total	-		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating of Rambhajo's takes into account decline in Total Operating Income (TOI) and deterioration of liquidity position. The rating, further, continues to remain constrained on account of moderate profitability margins, its presence in the highly fragmented and competitive jewellery industry, vulnerability of the margins to the fluctuation in the raw material prices as well as foreign exchange rates and constitution as a partnership concern.

The rating, however, continue to derives strength from experienced partners in the Gems and Jewellery (G&J) industry, moderate solvency position.

Hence, CARE has revised the rating from CARE BB; Stable (Double B; Outlook: Stable) to CARE BB-; Stable (Double B Minus; Outlook; Stable) and withdrawn the outstanding rating of 'CARE BB-; Stable' (Double B Minus; Outlook: Stable) assigned to the bank facilities of the firm with immediate effect. The above action has been taken at the request of Rambhajo's and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

Detailed description of the key rating drivers**Key Rating Weakness****Decline in Total Operating Income (TOI) and profitability margins in FY20**

As per provisional result of FY20, TOI has decreased by 19.76% over FY19 and remained modest at Rs.57.93 crore mainly on account of on-going corona pandemic which affected the operations of all of its showrooms from January-March 2020. In FY20, the PBILDT margin remained in line. However due to increase in interest and finance, PAT margin stood moderate at 1.51%, declined from 2.06% in FY19.

The Central/State Governments have taken various measures towards containment of COVID-19 which includes temporary closure of non-critical establishments, inter-state transportation, advisory against travel, visiting areas of mass gatherings, social distancing norms etc.

The firm has three showrooms each at Jaipur, Jodhpur and Mumbai. The showroom at Jaipur resumed its operations from May 10, 2020, Jodhpur showroom resumed its operations from May 25, 2020 and Mumbai Showroom resumed its operations from June 20, 2020.

Working capital intensive nature of operations in the highly fragmented and competitive jewellery industry

The operating cycle remained elongated at 168 days in FY20 owing to maintenance of optimum level of inventory in display as against 137 days in FY19. Further, the current ratio remained moderate at 1.44 times as on March 31, 2020, however, quick ratio remained below unity at 0.73 times as on March 31, 2020. Furthermore, the cash flow from operating activities remained moderate at Rs 2.60 Crore as against Rs 2.32 Crore in FY19 mainly due to lower creditors. Further, as per banker interaction, the firm has not availed the moratorium facility. However, the firm has availed the Covid-19 emergency funds under 10% and 20% scheme of amount Rs 1.70 Crore and Rs 2.40 Crore respectively.

Presence in a highly competitive and fragmented Gems & Jewellery (G&J) industry

The Indian gems & jewellery industry is highly fragmented in nature and is characterized by stiff competition. The fragmented nature of the industry and gradual emergence of the organized sector, including global players, has increased the competitive pressures within the gems and jewellery sector in India. In this scenario, companies are experimenting different strategies to maintain and increase market share. Companies are innovating in design, retail format and network and branding, to remain competitive.

Vulnerability of margins to fluctuation in raw material prices and constitution as a partnership concern

The profitability of the firm is exposed to volatile raw material prices. However, it is insulated from this risk to an extent as it procures same raw material that it sold on the same day. Further, its constitution as a partnership concern restricts its overall

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

financial flexibility in terms of limited access to external funds for any future expansion plans. Also, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of partner.

Key Rating Strengths

Experienced partners in the gems and jewellery industry

Gilara family is into the jewellery business since past four generations. Rambhajo's is managed by Mr. Abhishek Gilara and Mr. Prateek Gilara. Furthermore, in FY12, two new partners, Mr. Nitin Gilara and Mr. Vipul Gilara have joined Rambhajo's. All the four partners have equal profit sharing in the partnership firm.

Moderate solvency position

The capital structure of the firm remained comfortable with an overall gearing of 0.92 times as on March 31, 2020.

The debt service coverage indicators of the firm remained moderate with total debt to GCA and interest coverage of 11.38 times and 1.84 in FY20 as against 7.77 times and 2.23 times in FY19(A) mainly on account of higher decline in GCA than total debt.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's default recognition policy](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios - Non Financial Sector](#)

About the Firm

Rambhajo's is a partnership firm formed in 2007 by four partners, belonging to Jaipur based Gilara family. Earlier, the firm was operational under the name of Rambhajo Jewellers founded by late Mr. Kishan Das Gilara in 1921. Gilara family is into the jewellery business since past four generations. Rambhajo's is managed by Mr. Abhishek Gilara and Mr. Prateek Gilara. Furthermore, in FY12, two new partners, Mr. Nitin Gilara and Mr. Vipul Gilara have joined Rambhajo's. All the four partners have equal profit sharing in the partnership firm.

Rambhajo's is engaged in the manufacturing, retail, designing and wholesale trade of highly specialized fine diamond studded jewellery, kundan, jadau and polki jewellery. The firm has three showrooms, each at Jaipur, Jodhpur and Mumbai.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (P)
Total Operating Income	72.20	57.93
PBILDT	3.25	2.62
PAT	1.49	0.87
Overall Gearing (times)	0.92	0.92
Interest coverage (times)	2.23	1.84

A: Audited, P: Provisional

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Complexity level of various instruments rated for this firm: Annexure 3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB; Stable (03-Dec-19)	1)CARE BB; Stable (04-Dec-18)	1)CARE BB-; Stable (24-Jan-18)

Annexure 3: Complexity level of various instruments rated for this firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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