

Shubhlaxmi Jewel Art Limited

February 24, 2020

Rating

| Facility | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---------------------------|--------------------|---------------------|---|
| Long Term Bank Facilities | - | - | Reaffirmed at CARE BB; Stable (Double B; Outlook: Stable) and Withdrawn |
| Total facilities | - | | |

Details of facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

CARE has reviewed the rating assigned to the bank facilities of Shubhlaxmi Jewel Art Limited (SJAL) to CARE BB; Stable (Double B; Outlook: Stable) and has simultaneously withdrawn it, with immediate effect.

The rating assigned to the bank facilities of SJAL takes into account its moderate scale of operations with moderate profit margins during FY19 (refers to the period from April 01 to March 31). The rating, further, continues to remain constrained due to its presence in highly fragmented and competitive nature of jewellery industry marked by presence of many unorganized players and risk associated with fluctuation in prices of gold and other precious metals. The rating, however, derives strength from the vast experience of promoters in the jewellery Industry along with comfortable capital structure and moderate debt coverage indicators. The rating also takes into account SJAL's listing on SME platform of National Stock Exchange of India Limited- (NSE Emerge) during FY19.

The rating withdrawal is at the request of SJAL 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 Weaknesses

Moderate scale of operations with moderate profit margins

During FY19, the scale of operations of SJAL continued to remain moderate at Rs.55.53 crore as against Rs.46.83 crore during FY18. During FY19, PBILDT margin of SJAL remained moderate at 4.99% during FY19 as compared to 5.57% during FY18. PAT margin declined by 48 bps on y-o-y basis during FY19 and remained at 2.09% as compared to 2.57% during FY18.

Presence in highly fragmented and competitive nature of jewellery industry marked by presence of many unorganized players

SJAL has its presence in the jewellery industry which is highly fragmented in nature with presence of numerous independent small-scale enterprises in unorganized sector and some of the large players in organized sector owing to low entry barriers, easy access to clients and suppliers leading to high level of competition. High competition in the operating spectrum and moderate size of the company limits the scope for improvement in margins and compels the company to constantly update the stock of latest and trendy ornaments so as to maintain its market share.

Risk associated with fluctuation in prices of gold and other precious metals

The prices of primary raw materials i.e. gold other precious metals are market driven and fluctuate according to global demand-supply. This might have an impact on the margins of players in gems & jewellery industry and effective management of the same would remain crucial.

Key Rating Strengths

Vast experience of promoters in jewellery Industry

SJAL was formed in July, 2013 as a partnership firm named Shubhlaxmi Jewellers by Mr. Narendra Chauhan and Mr. Jitendra Chauhan and subsequently got converted into public limited company in May, 2018. Mr. Narendra Chauhan and Mr. Jitendra Chauhan, both have an average experience of around two decades in the jewellery business.

Comfortable capital structure and moderate debt coverage indicators

The capital structure of SJAL marked by an overall gearing remained comfortable at 0.61 times as on March 31, 2019 as against 1.57 times as on March 31, 2018. The debt coverage indicators as marked by Total Debt to Gross Cash Accruals (TDGCA) remained moderate at 5.21 years as on March 31, 2019 as against 6.10 years as on March 31, 2018. Further, interest coverage ratio for FY19 remained moderate at 3.00 times during FY19 as against 2.26 times during FY18, owing to decrease in finance cost during FY19.

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

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Bhavnagar-based (Gujarat) SJAL, erstwhile Shubhlaxmi Jewellers, was established in 2013 as partnership firm by Chauhan family and subsequently got converted into public limited company during May, 2018. SJAL is engaged into wholesale and retail business of platinum, gold and silver jewellery studded with diamond and other precious and semi-precious stones. It operates from its showroom located at Waghawadi Road, Bhavnagar (Gujarat). Further, it got listed on SME platform of National Stock Exchange of India Limited- (NSE Emerge) in November, 2018 through public issue.

SJAL outsources the manufacturing to various local artisans, post which it sells the Bureau of Indian Standards (BIS) hallmarked jewellery to wholesalers and retailers. Mr. Narendra Chauhan and Mr. Jitendra Chauhan are the key promoters of SJAL having more than two decades of experience in the jewellery business through their associate concern named Jesingbhai Jewellers in Bhavnagar, Gujarat which was established in 1971.

| Particulars | FY18 (A) | *FY19 (A) |
|---------------------------|----------|-----------|
| Total operating income | 46.83 | 55.53 |
| PBILDT | 2.61 | 2.77 |
| PAT | 1.20 | 1.16 |
| Overall gearing (times) | 1.57 | 0.61 |
| Interest coverage (times) | 2.26 | 3.00 |

A: Audited, *During May, 2018, SJAL was converted from partnership firm to Public Limited Company. Also, Financials for 01-04-2018 to 01-05-2018 (Period prior to conversion) is merged with financials of FY19 (A).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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-Term Loan | - | - | - | 0.00 | Withdrawn |
| 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 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Fund-based - LT-Term Loan | LT | - | - | - | 1)CARE BB; Stable (05-Mar-19) | - | - |
| 2. | Fund-based - LT-Cash Credit | LT | - | - | - | 1)CARE BB; Stable (05-Mar-19) | - | - |

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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