

Shubhlaxmi Jewel Art Limited

March 05, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating action
Long-term Bank Facilities	6.41	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Total	6.41 (Rupees Six Crore and Forty One lakh Only)		

Details of facilities in Annexure-1

Detailed Rationale

The rating assigned to the bank facilities of Shubhlaxmi Jewel Art Limited (SJAL) is primarily constrained on account of its moderate scale of operation with moderate profit margins and working capital intensive nature of operations during FY18 (refers to the period from April 01 to March 31). The rating, further, continue 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 moderate capital structure and 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 ability of SJAL to increase its scale of operations and improve its overall financial risk profile by improving its profitability and solvency position along with efficient working capital management are the key rating sensitivities.

Detailed description of key rating drivers

Key Rating Weaknesses

Moderate scale of operations with moderate profit margins

During FY18 (A), the scale of operations of SJAL as marked by total operating income (TOI) remained moderate at Rs.46.83 crore, albeit exhibited a Y-o-Y growth of 8.66%. PBILDT margin of SJAL also remained moderate at 5.57% in FY18 as against 5.64% during FY17. Consequently, PAT margin of SJAL remained modest at 2.57% in FY18 as against 2.16% during FY17.

Working capital intensive operations

The liquidity position of SJAL remained working capital intensive in nature marked by moderate current ratio at 1.85 times as on March 31, 2018 as compared to 1.54 times as on March 2017. Further, the operating cycle of SJAL remained elongated at 97 days during FY18 primarily on account of high inventory holding period. Average working capital limits utilization remained high at around 95% during past twelve months period ended January, 2019. Cash and bank balance remained low at Rs.0.08 crore, while cash flow from operations remained negative at Rs.0.13 crore 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.

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

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.

Moderate capital structure and debt coverage indicators

The capital structure of SJAL remained moderate marked by overall gearing of 1.57 times as on March 31, 2018 (2.09 times as on March 31, 2017) owing to an increase in tangible net worth base led by accretion of profits to reserves. The debt coverage indicators also remained moderate marked by total debt to GCA of 6.10 years as on March 31, 2018 from 6.98 years as on March 31, 2017. Further, interest coverage ratio stood comfortable at 2.26 times during FY18 as against 2.06 times during FY17 with marginal reduction in interest and finance cost during FY18.

SJAL completed its Initial Public Offer (IPO) during November, 2018 and raised equity share capital Rs.6.51 crore. The shares of SJAL are listed on SME platform of National Stock Exchange of India Limited - (NSE Emerge).

Analytical Approach: Standalone

Applicable Criteria

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

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

[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 on 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.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	43.10	46.83
PBILDIT	2.43	2.61
PAT	0.93	1.20
Overall gearing (times)	2.09	1.57
Interest coverage (times)	2.06	2.26

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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.

Analyst Contact

Name: Mr. Kalpesh Patel

Tel: (079) 40265611

Mobile: +91-9909026322

Email: kalpesh.patel@careratings.com**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	September, 2022	1.41	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE BB; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	1.41	CARE BB; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE BB; Stable	-	-	-	-

CONTACT**Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: anand.jha@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691