

Vikas Chain And Jewellery Private Limited

July 15, 2020

Ratings

Facilities	Amount (Rs. Crore)	Rating ¹	Remarks
Long Term Bank Facilities	11.75	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING)	Issuer not Cooperating; Revised from CARE B; Stable; Issuer not Cooperating; on the basis of best available information
Total	11.75 (Rs. Eleven crore and Seventy Five Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated June 14, 2019 placed the ratings of Vikas Chain And Jewellery Private Limited under the 'issuer non-cooperating' category as Vikas Chain And Jewellery Private Limited had failed to provide information for monitoring of the rating. Vikas Chain And Jewellery Private Limited continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated June 30, 2020, July 02, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The long-term rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by VCJ with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained by modest though growing scale of operations, weak financial risk profile characterized by low profitability margins and leveraged capital structure and elongated inventory holding period. The rating is further constrained on account of vulnerability of margins to gold price fluctuations and competition from various organized and unorganized players and unfavorable supply outlook. The rating, however, draws comfort from experienced promoters and favorable location of showroom.

Detailed description of the key rating drivers

*At the time of last rating on June 14, 2019 the following were the rating weaknesses and strengths:
(Updated for the information available from the Registrar of Companies).*

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest though growing scale of operations

The *scale* of operations has remained modest marked by a total operating income and gross cash accruals of Rs.118.89 crore and Rs.0.60 crore, respectively, during FY19 (refers to period April 01 to March 31). Furthermore, the company's net worth base was relatively modest at Rs.6.78 crore as on March 31, 2019.

The modest scale limits the company's financial flexibility in times of stress and deprives it *from* scale benefits.

Though the risk is partially mitigated by the fact that the scale of operations has been growing continuously for the past three years i.e. FY17-FY19.

Low Profitability margins and Leveraged Capital Structure

The financial risk profile of the company remains weak marked by low profitability margins, Leveraged capital structure and weak debt service coverage indicators. The profitability margins are directly associated with contribution of sales from different types of jewelry in that particular financial year. Normally high end jewelry (designer jewelry) and diamond

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

*Issuer did not cooperate; Based on best available information

trading fetch better margins, The profitability margins of the company stood low marked by PBILDT and PAT margins of 1.69% and 0.41% in FY19 attributed to highly competitive market and significant share of revenue from trading activity.

The capital structure of the company stood leveraged on account of high dependence on external debt to meet its working capital requirements. The overall gearing stood around 3.50x in the FY19.

Elongated inventory holding period

Being a jewelry retailer, it is critical for the company to provide a wide range of designs to its customers and cater the immediate demand. This resulted in significant finished goods inventory to carry business operations smoothly (inventory days of 123 days in FY19), Being in a retailing business, the company sells mainly on cash basis however to few customers it gives credit period of around one week. Furthermore, the company purchases gold on cash or on advance basis, however gems and diamonds are generally bought on credit of around 30 days. The average Utilization of working capital limits remained 80% utilized for 12 months ended April 30. 2018.

Vulnerability of margins to gold price fluctuations

The prices of gold have experienced high volatility in the past one year. Therefore, any adverse change in prices of the same is likely to have a significant impact on margins of the players in the G&J industry, However, the vast experience of the promoters of VU coupled with their policy of inventory replenishment model helps it in managing this risk to some extent. Further, the high price gold can also have an adverse impact on the demand for jewellery, thereby exposing the firm to risk of decline in sales volume.

Competition from various organized Of unorganized players and unfavourable supply outlook

The company operates in the Gems & Jewelry (G&J)industry, which is a fragmented industry with a high level of competition from both the organized and unorganized sector. Currently, the organized retailers account for a mere 5-6% of the total jewelry retail market. This is primarily because 01 the buyers' preference and trust in the; neighborhood goldsmith. Even the standardilation of designs is not possible due to varying local tastes, It is estimated that there are about 15,000 players across the country in the gold processing industry. 450,000 goldsmiths spread across the country and more than 6.000 players in the diamond-processing industry.

Key Rating Strengths

Experienced promoters and long track record of operations

Vikas Chain & Jewellery Private Limited was incorporated in 1994 and is wrrently being managed by Mr. Dinesh Verma and Mr. Sulish Verma, Both the directors are graduates by qualification and have an experience of more than two decades through their association with VCJ. Due to their longstanding industry presence, the directors have been able to establish their own reputation.

Favorable location of showroom

The company has its showrooms located in Karol Bagh and Chandni Chowk (Central Delhi) and the market is known for jewellery in New Delhi. The showrooms are located in prime area which ensures the higher probability of footfalli in its showroom, thereby, ensuring a good wstomer base for the company.

Analytical Approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

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

[CARE's Rating Methodology – Retail](#)

[CARE's Rating Methodology - Wholesale Trading](#)

About the Company

Delhi based Vikas Chain & Jewellery Private Limited (VCJ) was incorporated in 1994 and is currently being managed by Mr. Dinesh Verma and Mr. Sulish Verma. The company is engaged in the business of trading of gold jewellery, diamond studded jewellery and precious and semi-precious stones studded jewellery and has its showrooms located in Karol Bagh

and Chandni Chowk, Delhi by the name of Vikas Chain & Jewellery. The company procures the traded products from local wholesalers based in Delhi.

Non BFSI

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	102.53	118.89
PBILDT	1.97	2.00
PAT	0.63	0.49
Overall gearing (times)	4.90	3.55
Interest coverage (times)	1.71	1.87

A: Audited

Status of non-cooperation with previous CRA: CRISIL B+; Stable; Issuer not cooperating as per press release dated July 04, 2019.

Any other information: Not Applicable

Rating History (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-Cash Credit	-	-	-	11.75	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information

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	11.75	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (14-Jun-19)	1)CARE B+; Stable (23-May-18)	-

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:

CARE Ratings commenced operations in April 1993 and over 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.

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