



## Press Release

### Ranka Jewellers Private Limited

September 17, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	97.95	IVR BBB-/Stable	-	Assigned	Simple
Total	97.95 (Rs. Ninety-Seven crore and ninety-five lakhs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

The long-term rating assigned to the bank facilities of Ranka Jewellers Private Limited (RJPL) derives strength from experienced promoters with long track record of operations, consistent improvement in revenue and profitability, conservative capital structure, and favourable long-term prospects for organised players in gems and jewellery industry. These strengths are partially offset by thin profitability margins with susceptibility of volatility in gold prices, low coverage indicators, high competition within the industry and geographical concentration risk.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant growth in scale of operation with improvement in profitability metrics thereby leading to improved cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

##### Downward Factors

- Moderation in scale of operations and/or moderation in profitability impacting cash accruals on a sustained basis.
- Moderation in the capital structure with deterioration in overall gearing and/or moderation in interest coverage ratio
- Elongation in operating cycle leading to moderation in liquidity position



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced Promoters with long track record of operations**

Ranka Jewellers Private Limited (RJPL) was founded in 1992 by Mr. Fatehchand Nagraj Ranka, who brings over 30 years of experience in the gems and jewellery (G&J) industry. He is supported by Mr. Shreyas Ranka and Mr. Shailesh Ranka, who have 17 and 9 years of industry experience, respectively, in managing the company's day-to-day operations. RJPL was demerged from 'Ranka Jewellers,' a family-owned business established in 1882, which operated in the same line of business. This long-standing history has earned RJPL significant brand recognition and a loyal customer base in Pune, Maharashtra.

- **Consistent improvement in revenue and profitability**

RJPL witnessed consistent growth in revenue from FY22 (refers to the period April 01, 2021 to March 31, 2022) to FY24, driven by rising gold prices and increased volume in retail segment. In FY23 (Refers to the period April 2022 to March 2023), total operating income improved by ~60% to Rs. 332.07 crore, followed by ~52% rise in FY24 (Prov.), reaching Rs. 505.32 crore. However, the rise in procurement costs, due to higher gold prices, was not fully passed on to customers, thus limiting profitability growth. RJPL's EBITDA increased marginally by ~11% in FY23 to Rs. 16.25 crore, and by another ~10% in FY24 (Prov.) to Rs. 17.81 crore in FY24 (Prov.). In FY22, RJPL incurred a loss of Rs. 0.66 crore due to Rs. 1.48 crore paid under the 'Vivad Se Vishwas' scheme for disputed tax liabilities. However, profitability rebounded, with PAT rising to Rs. 1.54 crore in FY23 and doubling to Rs. 3.15 crore in FY24 (Prov.), supported by EBITDA growth and lower interest costs.

- **Conservative capital structure**

RJPL's capital structure stood conservative with overall gearing at 1.67x as on March 31, 2024 (Prov.) (March 31, 2023: 1.59x). Considering the unsecured loan of Rs 38.78 crore, the adjusted tangible net worth stood Rs. 60.13 crore in FY24(Prov.) and improved from Rs. 56.98 crore in FY23 due to accretion in reserves on account of profits earned by the company. However, the growth in tangible net worth was offset by increase in total debt levels to Rs. 100.66 crore as on March 31, 2024 (Prov.), from Rs. 90.36 crore as on March 31, 2023. Furthermore, total indebtedness as reflected in TOL/ATNW stood at 2.35x as on March 31, 2024 (Prov.) (March 31, 2023:1.86x)



## Press Release

- **Favorable long-term prospects for organised players in gems and jewellery industry**

The Indian jewellery market is experiencing steady growth, fueled by rising disposable incomes, an expanding middle class, and the ongoing importance of weddings and festivals. The industry is evolving to cater to changing consumer preferences for lighter, modern designs. Furthermore, the market is also being influenced by the integration of e-commerce and the rise in regulations in the jewellery retail sector, designed to enhance transparency and standardisation. As a result, there is an expedited shift in market share away from unorganised players. These industry trends are anticipated to favour organised jewellery retailers such as RJPL.

### Key Rating Weaknesses

- **Thin profitability margins, with susceptibility of volatility in gold prices**

Being a trading nature of business, with limited value addition and high competition, margins remain thin for RJPL. Additionally, high procurement costs, increase in advertisement and selling expenses, and high proportion of low margin bullion business, further constrained margins in FY23 and FY24 (Prov.). In FY22, EBITDA margins stood at 7.07% which moderated by 218 points in FY23 to 4.89% and further by 137 basis points to 3.52% in FY24 (Prov.).

- **Low coverage indicators**

The coverage indicators for RJPL, albeit showing marginal improvement, remains low. The interest coverage ratio stood at 1.40 times in FY24 (Provisional), increase from 1.20 times in FY23, driven by reduced interest expenses and a rise in absolute EBITDA. Furthermore, DSCR, though marginally improved to 1.11 times as of March 31, 2024 (Provisional) from 0.70 times the FY23, also continues to remain low. In FY23, as reflected in low DSCR, cash accruals was insufficient to meet the debt obligations, and therefore promoters infused Rs 5.68 crore in the form of unsecured loans, to support debt repayments.

- **High competition within the industry**

RJPL operates in a highly competitive and fragmented industry. It faces competition from a large number of organised as well as unorganised players. The company's ability to compete, and constantly innovate and evolve with precise marketing strategies will remain crucial to mitigate the stiff competition in both online and offline marketing channels.



## Press Release

- **Geographical concentration risk**

The operations of RJPL is concentrated in Pune, Maharashtra which exposes it to geographical concentration risk. Due to heavy reliance on a single geographical area, there is increase vulnerabilities on business operations due to regional economic downturns, natural disasters, or other localized disruptions.

**Analytical Approach:** Standalone.

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity –Adequate**

The liquidity remains adequate marked by expected cash accruals in FY25-27, which is sufficient to meet annual repayment obligations in that period. However, the bank limit utilization on overall cash credit limit, remain high at an average of ~99% over the 12 months ended July 2024. The company has a free cash balance of Rs 19.53 crore as on March 31, 2024 (Prov.) which provides cushion to some extent.

### **About the company**

Ranka Jewellers Private Limited (RJPL) was established in 1992, by Mr. Fatechand N. Ranka and late Mr. Ashok Ranka. RJPL is engaged in trading of jewellery, precious items and bullions in Pune, through its three showrooms located in Laxmi Road, Sinhgad Road and Pimple Saudagar. RJPL was the part of 'Ranka Jewellers' which was engaged in similar line of business since 1882 and was managed collectively by Ranka family. The group got bifurcated in 1992 among members of Ranka family. Currently, the company is managed by Mr Fatechand N. Ranka, Mr Sailesh Ranka (son of Mr Fatehchand N Ranka) and Mr Shreyas Ranka (son of Mr Ashok Ranka).

**Financials (Standalone):**



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For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	332.07	505.32
EBITDA	16.25	17.81
PAT	1.54	3.15
Total Debt	90.36	100.66
Adjusted Tangible Net Worth	56.98	60.13
EBITDA Margin (%)	4.89	3.52
PAT Margin (%)	0.46	0.62
Adjusted Overall Gearing Ratio(x)	1.59	1.67
Interest Coverage (x)	1.20	1.40

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	97.95	IVR BBB-/ Stable	-	-	-

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## Press Release

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit-1	-	-	-	-	19.95	IVR BBB-/ Stable
Cash Credit-2	-	-	-	-	78.00	IVR BBB-/ Stable



## Press Release

**Annexure 2: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Ranka-Jewellers-sep24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

Name of the Security		Detailed Explanation
	<b>Financial Covenant</b>	
	i.	-
	ii.	-
	<b>Non-financial Covenant</b>	
	i.	-
	ii.	-

**Annexure 4: List of companies considered for consolidated/Combined analysis:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com/](http://www.infomerics.com/)