Press Release

Shanti Gold International Limited (SGIL)

January 14th, 2025

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	195.38 (Enhanced from Rs.86.12 crore)	IVR BBB+/ Stable [IVR Triple B Plus with Stable Outlook]	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	Rating Upgraded	Simple
Short term Bank Facilities	50.00	IVR A2 [IVR A Two]	IVR A3+ [IVR A Three Plus]	Rating Upgraded	Simple
Total	**Rs. 245.38 crore (Rupees Two Hundred and forty-five crore and thirty-eight 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

Infomerics has upgraded the rating assigned to the bank facilities of SGIL. The rating upgrade reflects improvement in operating performance during FY24 and expected to maintain in FY25. The rating continuous to derive comfort from the comfortable capital structure and debt protection metrics and extensive experience of the promoters in jewellery business. However, the rating strengths are partially offset by, working capital intensive nature of business and exposure to gold and diamond price volatility and foreign exchange rates; intense industry competition.

The Stable Outlook reflects expected stable growth in revenue and profitability while capital structure and debt protection metrics are expected to commensurate with the current rating levels over FY25-FY27.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and profitability while maintaining current debt protection metrics on a sustained basis.
- Improvement in working capital cycle while maintaining the current credit profile.

Downward Factors

- Sustained decline in revenue and profitability and/or deterioration in working capital cycle and/or any unplanned debt fund led capex leading to deterioration in credit profile and the liquidity position.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Stable operating performance

SGIL's revenue grew by 5% on y-o-y basis to Rs.711.43 crore in FY24 (period refers from April 01st, 2023 to March 31st, 2024) due to higher realisation but lower volumes. The volumes were lower during FY24 due to significant increase in gold prices during the year. However, with higher realisations along with increase in volumes, SGIL has surpassed the revenue of FY24 and earned revenue of Rs.808 crore till 8MFY25, as per management with current wedding season, revenue is expected to pick up and SGIL's is expected to achieve its projections as envisaged. SGIL's EBITDA margins improved to 6.96% (FY23:6.33%) due to benefits of operating leverage, SGIL has also maintained its profitability during FY25 with EBITDA margins of 6.96% for 8MFY25. Net profit margin also improved to 3.64% in FY24 (FY23: 3.27%), due to improved operating profitability along with stable interest cost.

Comfortable capital structure and debt protection metrics

The capital structure of SGIL's marked by overall gearing ratio & TOL/TNW improved and remain comfortable and at 1.31x and 2.06x respectively as on March 31st, 2024 (March 31st, 2023: 2.06x and 2.74x respectively) due to lower utilization of working capital limits at the end of FY24 and repayment of term loans along with increased in net worth. Infomerics expects gearing to improve further from FY25. SGIL's debt protection metrics has improved with interest coverage at 3.60x at the end of FY24 (FY23: 3.49x) with lower interest cost along with improved profitability. Total debt / NCA stood moderate at 4.93 years in FY24 (FY23:6.31 years) due to healthy accretion of profits to reserve and overall reduction in debt. Infomerics expects debt protection metrics are to improve from FY25 onwards with reduce working capital borrowings and absence of debt led capex.

Extensive experience of the promoters in jewellery business

Shanti Gold International Limited is promoted by Mr. Pankajkumar Hastimal Jagawat and Mr. Manoj Kumar Jain. The promoters have more than three decades of experience in the jewellery industry. Further, the promoters have maintained a long-standing relation with the marquee customers like Joyalukkas India Limited, Lalithaa Jewellery Mart (P) Ltd, etc.

B. Key Rating Weaknesses

Working capital intensive nature of business

SGIL's operations are working capital intensive due to sizeable receivables and inventory holding requirements. The operating cycle remained high at 81 days as on March 31st, 2024 (PY: 86) owing to increase in inventory days to 59 (PY: 49) and receivables days to 46 (PY:46). The company generally extends a credit period of 45-60 days to most clients. However, year-end receivables appear elevated as a large portion of the revenue is booked in the seasonally strong Q3 and Q4. Counterparty credit risk is mitigated to a large extent by SGIL's association with reputed clientele. SGIL's inventory largely comprises gold and diamonds which are largely order-backed and SGIL has maintained the one or two-month inventory to cater their new customers. The increase in inventory days is partly attributable to lower revenue in FY24 and partly to rise in gold prices in the late quarters in FY24.

Exposure to gold and diamond price volatility and foreign exchange rates; intense industry competition

The company's profitability is vulnerable to fluctuations in gold and diamond prices, which are its primary raw materials. However, this risk is somewhat alleviated as the inventory is primarily backed by orders. A crucial factor for SGIL is its ability to transfer significant increases in raw material costs to customers. SGIL operates in a highly competitive and fragmented market, populated by numerous small and medium-sized manufacturers of diamond and gold jewelry, which constrains its pricing power.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of assigning Rating Outlook

Rating Methodology for Manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity: Adequate

The company's liquidity remains adequate marked by healthy projected gross cash accruals (GCA) of Rs.46 to Rs.55 crore p.a. in the next 2-3 years against repayment obligations of Rs.7 to Rs.8 crore in FY25-27 period. As on March 31st, 2024, free cash and bank balance stood at Rs.3.46 crore and the average utilisation of working capital limits for 12-months ending November 2024 was ~65%. In FY24, net cash flow from operation stood at Rs.2.27 crores. As on March 31, 2024, the company's current ratio stood at a comfortable level of 1.49x (PY:1.47x).

About the company

SGIL is the manufacturers of Cz studded gold jewellery. Shanti gold was established in the year 2003 as a partnership firm with an aim to provide complete range of CZ studded gold jewellery suited to each customer niche. In the year 2013-14, the partnership got converted in to "Limited Company" namely Shanti Gold International Ltd. SGIL currently has gold manufacturing capacity of 3000 Kg/p.a.

Financials (Standalone): **(Rs. crore)**

For the year ended / As On*	**31-03-2023 (Audited)**	**31-03-2024 (Audited)**
Total Operating Income	680.68	713.36
EBITDA	43.09	49.65
PAT	22.31	26.06
Total Debt	149.38	138.67
Tangible Net Worth	72.43	105.73
EBITDA Margin (%)	6.33	6.96
PAT Margin (%)	3.27	3.64
Overall Gearing Ratio (x)	2.06	1.31
Interest Coverage (x)	3.49	3.60

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NIL

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
1.	Long term Bank Facilities	Long term	195.38	IVR BBB+/ Stable	**(April 01, 2024)** IVR BBB/ Stable	--	--
2.	Short term Bank Facilities	Short term	50.00	IVR A2	**(April 01, 2024)** IVR A3+	--	--

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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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	--	--	March 2026	20.56	IVR BBB+/ Stable
Long Term Bank Facilities – Term Loan	--	--	March 2025	2.77	IVR BBB+/ Stable
Long Term Bank Facilities – Term Loan	--	--	March 2025	1.05	IVR BBB+/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	74.50	IVR BBB+/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	46.50	IVR BBB+/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	50.00	IVR BBB+/ Stable
Short Term – Fund based Bank Facilities – Packing Credit	--	--	Revolving	10.00	IVR A2
Short Term – Non Fund based Bank Facilities – Bank Guarantee	--	--	--	40.00	IVR A2

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-ShantiGold-jan25.pdf

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

Annexure 4: List of companies considered for consolidated 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.