



Press Release

Shanti Gold International Limited (SGIL)

April 1, 2024

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	86.12	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	50.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Total	136.12	(Rupees One Hundred Thirty-Six Crore and Twelve Lakhs only)		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has assigned the ratings to the bank facilities of SGIL which derives strength from sustained improvement in revenue and profitability, comfortable debt protection metrics and extensive experience of promoters in the jewellery industry. The ratings strengths are, however, constrained by exposed to intense competition from organised and unorganised players and susceptible to regulatory changes in India.

Key Rating Sensitivities:

Upward Factors

- Significant increase in revenue and EBITDA margins remaining above 7% and overall gearing remaining below 1.5x on a sustained basis.

Downward Factors

- Declined in revenue and EBITDA and/or deterioration in working capital cycle leading to deterioration in credit profile.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Sustained improvement in revenue and profitability

SGIL's revenue has improved by 59% in FY23 to Rs. 680.68 crore led by improved volume and realisations. Further, SGIL has achieved revenue of Rs. 677.53 crore in 11MFY24 driven by increased volume and realisation.

EBITDA margins have also improved to 6.33% in FY23 (from 4.36% in FY22) due to operating leverage. SGIL has reported a slight decline in EBITDA margins to 6.04% in 11MFY24 on account of increase in input costs.

Comfortable capital structure and debt protection metrics

SGIL's capital structure continued to remain comfortable in FY23 with improvement in overall gearing and TOL/ Adjusted TNW at 2.06x and 2.74x respectively as on March 31, 2023, as against 2.75x and 3.51x respectively as on March 31, 2022 on account of increase in net worth and stable debt levels. Further SGIL's interest coverage ratio and Total debt/ GCA ratio has improved to 3.57x and 1.85x respectively in FY23 from 2.03x and 4.97x respectively in FY22 due to increase in profitability and stable interest cost.

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.

Key Rating Weaknesses

Exposed to intense competition from organised and unorganised players

Revenue and profitability are susceptible to intense competition in the jewellery industry, and to volatility in gold and diamond prices. It faces severe competition from local players and from other national brands. Jewellery retailing in India is largely dominated by unorganized players which have a stronghold in their regions. Jewellery sector had seen heightened regulatory action in the past, and the company will continue to remain susceptible to changing regulatory norms. The competitive and fragmented nature of the industry impacts the company's profit margins.



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Susceptible to regulatory changes in India

Gold is an important commodity traded in the international market, so trading in gold and gold jewellery is highly influenced by several government policies and regulations, which changes from time to time.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of Default Recognition](#)

Liquidity – Adequate

The liquidity position of SGIL remains adequate as cash accruals are expected to match adequately with debt repayment obligations through FY24-FY26. The average working capital utilisation for 12 months ending January, 2024 remained at 69.19% which provides liquidity cushion. The current ratio and quick ratio remained comfortable and stood at 1.47x and 0.92x respectively, as on March 31, 2023.

About the Company

Shanti Gold International Limited (SGIL) is one of the largest 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 Limited. SGIL currently has gold manufacturing capacity of 3000 Kg/p.a.



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Financials (Standalone):

(Rs. crore)

For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	428.67	680.68
EBITDA	18.71	43.09
PAT	6.44	22.31
Total Debt	137.43	149.38
Tangible Net-Worth	49.96	72.43
Ratios		
EBITDA Margin (%)	4.36	6.33
PAT Margin (%)	1.50	3.27
Overall Gearing Ratio (x)	2.75	2.06

* 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 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Bank Facilities – Term Loan	Long Term	7.62	IVR BBB/ Stable	--	--	--
2.	Long Term Bank Facilities – Cash Credit	Long Term	78.50	IVR BBB/ Stable	--	--	--
3.	Short Term Bank Facilities – Packing Credit	Short Term	10.00	IVR A3+	--	--	--
4.	Short Term Bank Facilities – Bank Guarantee	Short Term	40.00	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.

For more information visit www.infomerics.com.

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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	--	--	November, 2030	7.62	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit*	--	--	--	78.50	IVR BBB/ Stable
Short Term Bank Facilities – Packing Credit#	--	--	--	10.00	IVR A3+
Short Term Bank Facilities – Bank Guarantee	--	--	--	40.00	IVR A3+

* Sub-limit of Working Capital Demand Loan: Rs. 25.00 crore, Sub-limit of Working Capital Demand Loan: Rs. 29.00 crore, Pre shipment Credit: Rs. 5.00 crore, Post shipment Credit: Rs. 5.00 crore, Inward SBLC/ BG: Rs. 7.25 crore, Bank Guarantee Performance: Rs. 5.00 crore, Bank Guarantee Financial: Rs. 5.00 crore and Counter Bank Guarantee: Rs. 4.00 crore.

#Sub-limit of Post Shipment Credit: Rs. 10.00 crore.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-ShantiGold-apr24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.