



## Press Release

**Sky Gold Limited**

**March 22, 2022**

**Ratings:**

**(Rs in Crore)**

<b>Instrument / Facility</b>	<b>Amount</b>	<b>Current Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Fund Based Bank Facilities-Term Loans	19.59 (Increased from 7.75)	IVR BBB-/Positive Outlook (IVR Triple B Minus with Positive Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities-Cash Credit	68.00	IVR BBB-/Positive Outlook (IVR Triple B Minus with Positive Outlook)	Reaffirmed	Simple
Short Term Fund Based Bank Facilities-Pre-shipment Credit	5.00	IVR A3 (IVR A3 Three)	Reaffirmed	Simple
Proposed Long Term Fund Based Bank Facilities-Cash Credit	57.41 (Reduced from 69.25)	IVR BBB-/Positive Outlook (IVR Triple B Minus with Positive Outlook)	Reaffirmed	Simple
<b>Total</b>	<b>150.00</b>			

**Details of Facilities are in Annexure 1**

**Detailed Rationale:**

The aforesaid ratings assigned to the bank facilities of Sky Gold Limited (SKL) derives strength from extensive experience of the promoters in the Jewellery Business, established relationship with reputed and well-known customers, adequate liquidity marked by liquid investments coupled with prudent working capital management, prudent risk mitigation measures and moderate financial risk profile with thin profitability. The rating however is constrained by highly fragmented and exposed to intense competition from organised and unorganised Players,



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price volatility susceptible to regulatory changes and global phenomenon and concentrated customer profile.

### Key Rating Sensitivities:

#### Upward Factors

- Growth in scale of operation with improvement in profitability leading to improvement in cash accruals on a sustained basis.
- Sustenance of the capital structure and substantial improvement in the debt protection metrics.

#### Downward Factors

- Deterioration in scale of operation and/or profitability on a sustained basis leading to moderation of capital structure and/or debt protection metrics

### Key Rating Drivers with detailed description

#### Key Rating Strengths:

- **Extensive experience of the promoters in the Jewellery Business:**

The promoters Mr. Mangesh Chauhan, Mr. Mahendra Chauhan and Mr. Darshan Chauhan have more than decade's experience in Gems and Jewellery industry and are actively involved in the strategic decision of the company. The wide experience of the promoters in the gems and jewellery industry helps the company to understand the market requirements, procure material and design the products accordingly.

- **Established relationship with reputed and well-known customers:**

The company has reputed client like Malabar Gold, Joyalukkas, S R gold etc and now company further added Reliance and Tanishq as its new customers. It reduced the customer concentration risk; it helped the company in getting regular flow of orders and result in Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals on sustained basis.



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- **Adequate liquidity marked by liquid investments coupled with prudent working capital management:**

Gems and jewellery industry consist of high price, large volume and low margin products which makes business capital and working capital intensive. The company has managed its working capital requirements prudently and implemented an effective receivables management system. Receivables were range bound between 15-20 in the past three fiscals with an operating cycle of under 40 days. Further, the company has free investment in liquid mutual funds to support its liquidity.

- **Prudent risk mitigation measures:**

SGL's margins remain susceptible to the volatility in the price of gold. However, the company follows a prudent policy of managing inventory by replenishing it by a similar quantity of gold sold during the day, thus mitigating the risk of price fluctuations on its margins. SGL also creates of positions of future in Gold to safeguard the risk of appreciation in Gold Price.

### Key Rating Weaknesses:

- **Moderate financial risk profile with thin profitability:**

The company's operating income is INR795.54 crores as on March 31, 2021, and Net worth of INR52.51crore as on March 31, 2021, with moderate overall gearing ratio stood 1.41 times. Company's interest coverage ratios were 1.71 in FY 2021. Company's EBITDA margin and PAT margin were thin 1.32% and 0.60% respectively as on 31<sup>st</sup> March 2021. Infomerics expects company revenue to improve in FY22. During 6MFY22, the company has achieved a revenue of ~INR294.66 crore (6MFY21: INR269.54 crore)

- **Highly fragmented and exposed to intense competition from organised and Unorganised Players**

The jewellery industry in India is highly fragmented with presence of numerous unorganised players, apart from some very large integrated gems & Jewellery manufacturers make it a highly competitive industry. The company faces stiff competition from both organised as well as unorganised players. The competitive and fragmented nature of the industry impacts the company's profit margins.



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- **Price volatility susceptible to regulatory changes and global phenomenon:**

Gold & diamond are important commodities traded in the international market, so trading in gold, diamond and studded jewellery is highly influenced by several government policies and regulations, which changes from time to time. Since gold is considered as the most near to liquid investment and can be readily sold in over the counter and traded on multiple exchanges the prices volatile in nature.

- **Concentrated customer profile**

The top 3 customers of SGL contributed around 40% of its revenue in FY21, which exposes the company to concentration risk as any adverse event to its customers can impact the SGL's performance significantly. However, these clients are reputed retail brands which mitigates the risk to some extent.

### **Analytical Approach: Standalone**

#### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

#### **Liquidity – Adequate**

The liquidity profile of Sky Gold Limited remained adequate with Liquid investments of INR25.20 crore (Equity shares) and Cash & cash equivalent of INR0.41 crore as on March 31, 2021. SGL's average fund based working capital utilisation also stood comfortable at ~67% during the past 12 months ended November 2021. Moreover, the company has healthy gross cash accruals with no long-term debt obligations. The current ratio stood at 1.44x as on March 31<sup>st</sup>, 2021.

#### **About the Company:**

Sky Gold Limited is engaged in the business of designing, manufacturing, and marketing of gold jewellery since 2008. Company manufacturing unit is in Mulund, Mumbai.



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### Financials: (Standalone)

(INR Crore)

For the year ended*/ As On	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	721.89	795.24
EBITDA	12.91	10.53
PAT	5.82	4.81
Total Debt	58.57	73.25
Tangible Net-worth	47.27	52.01
Ratios		
EBITDA Margin (%)	1.79	1.32
PAT Margin (%)	0.80	0.60
Overall Gearing Ratio (x)	1.24	1.41

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Bank Facilities-Term Loans	Long Term	19.59 (Increased from 7.75)	IVR BBB- /Positive Outlook	IVR BBB- /Positive Outlook	--	--
2.	Long Term Fund Based Bank Facilities-Cash Credit	Long Term	68.00	IVR BBB- /Positive Outlook	IVR BBB- /Positive Outlook	--	--
3.	Short Term Fund Based Bank Facilities-Pre-Shipment Credit	Short Term	5.00	IVR A3 (IVR A3 Three)	IVR A3 (IVR A3 Three)	--	--
4.	Proposed Long Term Fund Based Bank	Long Term	57.41 (Reduced from 69.25)	IVR BBB- /Positive Outlook	IVR BBB- /Positive Outlook	--	--



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	Facilities-Cash Credit						
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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities-Term Loans	-	-	-	19.59 (Increased from 7.75)	IVR BBB-/ Positive Outlook
Long Term Fund Based Bank Facilities-Cash Credit	-	-	-	68.00	IVR BBB-/ Positive Outlook
Short Term Fund Based Bank Facilities-Pre-Shipment Credit	-	-	-	5.00	IVR A3 (IVR A3 Three)
Proposed Long Term Fund Based Bank Facilities-Cash Credit	-	-	-	57.41 (Reduced from 69.25)	IVR BBB-/ Positive Outlook

**Annexure 2: List of companies considered for consolidated analysis: NA**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Sky-Gold-lenders-mar22.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 based on complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).