



Press Release

Sky Gold Limited

May 10, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	247.00 (enhanced from Rs.145.00 crore)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities/Short Term Bank Facilities	3.00 (reduced from 5.00)	IVR BBB-; Stable /IVR A3 (IVR Triple B Minus with Stable outlook/ A Three)	Reaffirmed*	Simple
Total	250.00 (Rs. Two hundred and fifty crore only)			

Details of Facilities are in Annexure 1 * Reclassification of short-term rating to long term/short term rating

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Sky Gold Limited (SGL) draws comfort from its established track record of operations under experienced promoters, reputed client profile, healthy growth in revenue with moderate operating profit and comfortable interest coverage in 9MFY23. However, these rating strengths continues to remain partially offset by its exposure to customer concentration risk, working capital intensive nature of operation and presence in a competitive industry exerting pressure on pricing flexibility.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operation with improvement in profitability leading to improvement in cash accruals on sustained basis
- Improvement in debt protection metrics with improvement in interest coverage to over 4x
- Improvement in working capital limit utilisation

Downward Factors



Press Release

- Decline in scale of operation with sustained deterioration in profitability
- Moderation in the capital structure with moderation in overall gearing ratio to below 1.5x and/or moderation in interest coverage ratio to below 2x
- Moderation in liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experience of the promoters in jewellery business**

The promoters Mr. Mangesh Chauhan, Mr. Mahendra Chauhan and Mr. Darshan Chauhan has long standing experience in the business of gems and jewellery. The promoters have more than a decade of experience in the jewellery business.

- **Reputed client profile**

The long-term relationship with renowned client helps the company in regular flow of orders. Renowned clients contribute more than 50% of the total revenue generated by the company.

- **Healthy growth in revenue with moderate operating profit and comfortable interest coverage in 9MFY23**

In 9MFY23, the company had reported sales of Rs.883.88 crore as against Rs.567.98 crore in 9MFY22 with EBITDA margin of 2.79% (1.92% in 9MFY22) and PAT margin of 1.42% (2.25% in 9MFY22). Such growth in total operating income is driven by resumption of manufacturing activities and improvement in the economic scenarios post covid with relaxation of lockdown restrictions in FY23. However, due to rise in finance charges, PAT margin moderated in 9MFY23. However, the interest coverage improved to 3.43x in 9MFY23 as against 1.86x in 9MFY22 driven by higher absolute EBITDA. Infomerics expects healthy growth in revenue in FY23.

Key Rating Weaknesses

- **Exposure to customer concentration risk**

The top five customers contribute more than ~80% of the sales whereas more than ~50% of the total revenue comes from a single customer. This customer concentration risk affects the pricing flexibility to an extent,

- **Presence in competitive industry**



Press Release

The revenue and profitability get affected by fluctuating gold prices. There are certain regulatory norms in jewellery business and the company also faces intense competition from small unorganised players in the market as small brands have strong hold in particular regions.

- **Working capital intensive nature of operation**

The operations of the company remained working capital intensive with almost full utilisation in its working capital limits.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

The liquidity position is expected to remain adequate driven by its expected sufficient cash accrual vis-à-vis its debt repayment obligations. The company is expected to earn cash accruals in the range of ~Rs.17.40-Rs.26.07 crore as against its debt repayment obligations in the range of ~Rs.2.68-Rs.4.90 crore during FY24-FY25. However, the fund-based limit remains almost fully utilised as on March 31, 2023 indicating a limited liquidity buffer.

About the Company

Sky Gold Limited is engaged in the business of designing, manufacturing and marketing of gold jewellery since 2008. The company work with 22 karat gold jewellery, offering a wide variety of designs to suit the preferences of their customers. SGL caters to variety of customers having unique preferences with extensive range of designs and use studded American diamonds and/ or coloured stones in many of their jewellery products. The manufacturing unit is located in the heart of Mumbai City in Mulund (West) where casting of jewellery is done. SGL also has central sales office at Kalbadevi and branch offices in Kerala and Telangana.

Financials (Standalone):

(Rs. crore)

For the year ended / As on	31-03-2021	31-03-2022	9MFY23
	Audited	Audited	Unaudited
Total Operating Income	795.54	785.70	883.88
EBITDA	10.53	19.81	24.63



Press Release

For the year ended / As on	31-03-2021	31-03-2022	9MFY23
PAT	4.81	16.92	12.53
Total Debt	73.25	91.27	-
Tangible Net worth	52.01	68.87	-
Ratios			
EBITDA Margin	1.32	2.52	2.79
PAT Margin	0.60	2.12	1.42
Overall Gearing Ratio	1.41	1.33	-

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Nov 30, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Mar 22, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Feb 22, 2022)
1.	Term Loans	Long Term	17.39	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Positive (IVR Triple B Minus with Positive outlook)	IVR BBB-/ Positive (IVR Triple B Minus with Positive outlook)
2.	Cash Credit	Long Term	145.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Positive (IVR Triple B Minus with Positive outlook)	IVR BBB-/ Positive (IVR Triple B Minus with Positive outlook)
3.	Cash Credit/ Pre-Shipment Credit^	Long Term/ Short Term	3.00 (Reduced from 5 crore)	IVR BBB-/ Stable/ A3 (IVR Triple B)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)



Press Release

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Nov 30, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Mar 22, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Feb 22, 2022)
				Minus with Stable outlook / A Three)*			
4.	Proposed Cash Credit	Long Term	84.61	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Positive (IVR Triple B Minus with Positive outlook)	IVR BBB-/ Positive (IVR Triple B Minus with Positive outlook)

^Earlier Pre-shipment credit was considered as short-term facility but now it has become a sublimit of Cash Credit hence short term rating was reclassified to long term/short term rating.

Name and Contact Details of the Rating Analyst:

Name: Nabagata Dey	Name: Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: nabagata.dey@infomerics.com	Email: apodder@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



Press Release

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

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	-	-	Jan-2026	2.67	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan	-	-	Dec-2027	8.90	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan	-	-	Dec-2025	2.88	IVR BBB-/Stable
Long Term Bank Facilities - Term Loan	-	-	Dec-2027	2.94	IVR BBB-/Stable
Long Term Bank Facilities – Cash Credit	-	-	-	145.00	IVR BBB-/Stable
Long Term Bank Facilities/Short Term Bank Facilities – Cash Credit/ Pre Shipment Credit	-	-	-	3.00	IVR BBB-/Stable/IVR A3
Long Term Bank Facilities – Proposed Cash	-	-	-	84.61	IVR BBB-/Stable



Press Release

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Credit					

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-SkyGold-may23.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.