



Press Release

Sky Gold Limited (SKL)

November 30, 2022

Ratings

Instrument /Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities-Term Loans	19.59	IVR BBB- / Stable Outlook [IVR Triple B minus with Stable Outlook]	Reaffirmed with revision in outlook from Positive to Stable	Simple
Long Term Fund Based Bank Facilities-Cash Credit	68.00	IVR BBB- / Stable Outlook [IVR Triple B minus with Stable Outlook]	Reaffirmed with revision in outlook from Positive to Stable	Simple
Short Term Fund Based Bank Facilities-Pre-Shipment Credit	5.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Proposed Long Term Fund Based Bank Facilities-Cash Credit	57.41	IVR BBB- / Stable Outlook [IVR Triple B minus with Stable Outlook]	Reaffirmed with revision in outlook from Positive to Stable	Simple
Total	150.00 (One Hundred and Fifty Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

- The rating reaffirmed to the above-mentioned bank facilities of Sky Gold Limited continues to derive 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, and prudent risk mitigation measures. However, the rating strengths are partially offset by moderate financial risk profile, highly fragmented and exposed to intense competition from



Press Release

organized and unorganized players, and price volatility susceptible to regulatory changes and global phenomenon.

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.

Outlook: Stable

The Revision in outlook from 'Positive to 'Stable' is on account of decline in the profitability during H1FY23 led by increase in the cost of goods sold and its limited ability to pass on the price increase to its buyers. However, the Stable Outlook factors the overall improvement in the top line during H1FY23 as compared to H1FY22.

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



Press Release

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:**

The company's operating income is INR785.70 crores as on March 31, 2022, and Net worth of INR69.19 crore as on March 31, 2022, with moderate overall gearing ratio stood 1.32 times. Company's EBITDA margin and PAT margin were both low 3.9% and 2.15% respectively as on 31st March 2022. Further, it deteriorated in H1FY23 to 2.08% and 1.00%. During 6MFY23, the company achieved a revenue of ~INR616.45 crore.

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

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

- **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.



Press Release

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity profile of Sky Gold Limited remained adequate with liquid investments of INR 37.26 crore (Equity shares) and Cash & cash equivalents of INR1.38 crore as on March 31, 2022. The company has healthy gross cash accruals with minimal long-term debt obligations. The current ratio stood at 1.57x as on March 31st, 2022.

About the Company:

Sky Gold Limited is engaged in the business of designing, manufacturing, and marketing of gold jewellery. Company manufacturing unit is in Mulund, Mumbai, the Company was incorporated by Mr. Mangesh Chauhan, Mr. Mahendra Chauhan and Mr. Darshan Chauhan in May 2008.

Financials (Standalone)*:

	(Rs. Crore)		
For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Actual)	H1 FY2023 (Unaudited)
Total Operating Income	795.24	785.70	616.45
EBITDA	10.53	30.37	12.8
PAT	4.81	16.92	6.18
Total Debt	73.25	91.27	104.18
Tangible Net worth*	52.01	69.19	75.31
EBITDA Margin (%)	1.32	3.9	2.08
PAT Margin (%)	0.60	2.15	1.00
Overall Gearing Ratio (times)	1.41	1.32	1.39

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: None



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Type	Current Ratings (Year 2022-23)		Rating History for the past 3 years		
			Amount outstanding (Rs. 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
Press Release					22 March-2022	22 Feb-2022	
1.	Long Term Fund Based Bank Facilities Term Loans	Long Term	19.59	IVR BBB- / Stable	IVR BBB- / Positive	IVR BBB- / Positive	-
2.	Long Term Fund Based Bank Facilities Cash Credit	Long Term	68.00	IVR BBB- / Stable	IVR BBB- / Positive	IVR BBB- / Positive	-
3.	Short Term Fund Based Bank Facilities- Shipment Credit	Short Term	5.00	IVR A3	IVR A3	IVR A3	-
4.	Proposed Long Term Fund Based Bank	Long Term	57.41	IVR BBB- / Stable	IVR BBB- / Positive	IVR BBB- / Positive	-

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About Infomerics:

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



Press Release

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. 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

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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 - Fund Based – Term Loan	--	--	--	19.59	IVR BBB- / Stable
Long Term - Fund Based – Cash Credit	--	--	--	68.00	IVR BBB- / Stable
Short Term Fund Based Bank Facilities- Pre-Shipment Credit	--	--	--	5.00	IVR A Three
Proposed Long Term Fund Based Bank Facilities-Cash Credit	--	--	--	57.41	IVR BBB- / Stable

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-nov22.pdf>



Press Release

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.

