



## Press Release

### Derewala Industries Limited

August 29, 2024

#### Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	45.00	IVR BBB+ /Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Upgraded and Withdrawn	Simple
Long term Facilities	0.00*	-	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Withdrawn	-
Short Term Bank Facilities	56.50	IVR A2 (IVR A Two)	IVR A3+ (IVR A Three Plus)	Upgraded and Withdrawn	Simple
Short Term Bank Facilities	0.00*	-	IVR A3+ (IVR A Three Plus)	Withdrawn	-
<b>Total</b>	<b>101.50</b>	<b>Rupees One Hundred One Crore and Fifty Lakhs Only</b>			

*\*The previously rated bank facility (Cash Credit -Rs. 60 crore and Bank guarantee – Rs. 5 crore) of State Bank of India amounting to Rs. 65.00 crore has been closed as per the No Dues Certificate dated 14<sup>th</sup> December 2023.*

**Details of Facilities/Instrument are in Annexure 1**

**Facility wise lender details are at Annexure 2**



## Press Release

**Detailed explanation of covenants is at Annexure 3**

### **Detailed Rationale**

Infomerics Valuation and Rating Private Limited (IVR) has upgraded the long-term and short-term rating to IVR BBB+ with a Stable outlook and IVR A2 and simultaneously withdrawn the rating assigned to bank loan facilities of Derewala Industries Limited (DIL) with immediate effect. The ratings have been withdrawn at the request of the company vide email dated 13th August 2024. IVR has received "No objection certificate" and "No Dues certificate" from all the bankers who have extended the facilities, and which have been rated by Infomerics.

The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.

IVR has principally relied on the standalone audited financial results of DIL up to 31 March 2023, and FY2024 (refers to period April 1st, 2023, to March 31, 2024) provisional unaudited results, projected financials for FY2025, FY2026 and FY2027, and publicly available information/ clarifications provided by the company's management.

**Key Rating Sensitivities:** Nil

### **List of Key Rating Driver with Detailed Description**

#### **Key Rating Strengths**

- **Established track record of operations and experienced management:**  
The company was initially setup in 1986 as a proprietorship concern and converted to company 2014 and has a successful track record of more than three decades in the existing line of business. Overall activities of Derewala Industries Limited are managed by four directors with Mr. Pramod Kumar Agarwal being the Chairman cum Director. He has experience of more than 3 decades in jewellery manufacturing business. He is ably supported by other directors namely, Mr. Yogendra Garg, Ms. Debra Ann Nishimura and Mr. Jugal Kishore Garg who has effective experience in existing line of business as well as supported by qualified and well experienced management team.
- **Diversified product portfolio and geographical presence:**  
The company manufactures diversified gold, silver, and fashion jewellery. Its silver jewellery portfolio includes rings, pendants, bracelets, and beaded jewellery etc. and gold jewellery portfolio includes chains, mesh, stamped and gold flick products etc. It also manufactures necklace/ bracelet, interchangeable (charms) jewellery and bonded jewellery with less noble metal. The bonded jewellery are sold under the brand Milaan (Gold Bonded with Silver) & Metal Orafa (22Kt Gold Bonded with Brass) at an affordable price. They have a diversified geographical presence as their products are sold in PAN India and foreign countries like USA, Thailand, UK, Spain, Denmark, Germany, France, Canada, and Australia.



## Press Release

- **Improved debt protection metrics and financial risk profile**

In terms of the debt protection metrics, the interest service coverage ratio (ISCR) improved to 3.68x in FY2024 (Provisional) as compared to 3.45x in FY2023, and the debt service coverage ratio (DSCR) improved to 3.31x in FY2024 (Provisional) from 3.09x in FY2023 due to better profitability. The tangible networth has improved to Rs. 160.14 crore in FY2024 (Provisional) from Rs. 129.29 crore in FY2023. Overall gearing improved to 0.85 x in FY2024 (Provisional) from 1.03x in FY2023. The total operating income (TOI) improved to Rs. 432.87 crore in FY2024 (Provisional) from Rs. 429.41 crore in FY2023.

### Key Rating Weaknesses

- **Working capital intensive nature of operations:**

DIL's operations are working capital intensive in nature, supported largely by bank borrowings. The average utilization of fund based working capital limits of the company stood moderate around ~74.02% during the last 12 months ending 30th June 2024. The company has large working capital requirements which are reflected in an elongated conversion cycle of 173 days in FY2024 Provisional (FY2023: 172 days). Inventory days though improved but remained moderately high at 155 days in FY2024 as compared to 150 days in FY2023.

- **Intense competition in the industry**

DIL is present in the highly competitive & fragmented gems & jewellery industry with a number of small & medium-sized players engaged in the manufacturing of diamond & gold jewellery. Further, the increasing inflation and interest rates coupled with the overall economic and geopolitical uncertainty may lead to softer demand going ahead. The gems & jewellery industry in India is highly fragmented with the presence of numerous unorganized players in addition to the large integrated manufacturers leading to a high level of competition. The export-oriented gems & jewellery industry is susceptible to various guidelines by Government of India, change in taxation structure, impacting the industry. Also, the major risk associated with business is the ever-changing taste and preference of customers relating to the designs of jewellery.

- **Susceptibility of profitability to raw material price volatility:**

The company's profitability remains exposed to volatility in gold/silver prices, which is the primary raw material. However, the company's prices are fixed almost back-to-back for its sales and purchase legs, and hence they are protected largely against any fluctuation in increase in precious metals. Further, around 35% of company revenue is from exports, its profitability remains susceptible to the forex fluctuations. As a result, the profitability margins of the company are susceptible to volatility in raw material prices.



## Press Release

**Analytical Approach:** For arriving at the ratings, IVR has analysed DIL's credit profile by considering the standalone financial statements of the company.

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)  
[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)  
[Criteria for assigning Rating outlook.](#)  
[Complexity Level of Rated Instruments/Facilities](#)  
[Policy of Withdrawal of Rating](#)  
[Policy on Default Recognition](#)

**Liquidity – Adequate**

The company has an adequate liquidity position. There are no long-term secured borrowings from banks as on 31st March 2024. Against a NIL current portion of long-term debt (CPLTD), the company had a cash accrual of Rs. 27.55 crore in FY2024 (Provisional). The company projected to generate cash accruals of Rs. 28.83 crore in FY2025 against a NIL CPLTD. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

**About the Company**

Derewala Industries Limited (DIL) started the jewellery business in 1986 as a proprietorship concern under the leadership of Mr. Pramod Kumar Agarwal and was converted to company in 2014. The company is engaged in manufacturing of gold and silver jewellery with an installed capacity of 61,000 Kg. The company manufacturing unit is in Tonk Road, Jaipur, Rajasthan which is spread across 2,50,000 sq. ft.

**Financials: Standalone**

(Rs. Crore)

For the year ended*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	429.41	432.87
EBITDA	39.87	43.89
PAT	21.70	23.30
Total Debt	133.22	135.80
Tangible Net Worth	129.29	160.14
EBITDA Margin (%)	9.29	10.14
PAT Margin (%)	5.04	5.34
Overall Gearing Ratio (x)	1.03	0.85



## Press Release

Interest Coverage Ratio (x)	3.45	3.68
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*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA – None**

**Any other information:** Not Applicable

**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 (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (July 7 <sup>th</sup> , 2023)	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based	Long Term	45.00	IVR BBB+/Stable	IVR BBB/ Stable	-	-
2.	Fund Based	Long Term	0.00	Withdrawn	IVR BBB/ Stable	-	-
3.	Fund Based	Short Term	41.50	IVR A2	IVR A3+	-	-
4.	Non-Fund Based	Short Term	15.00	IVR A2	IVR A3+	-	-
5.	Non-Fund Based	Short Term	0.00	Withdrawn	IVR A3+	-	-

**Name and Contact Details of the Rating Analyst:**

Name: Om Parkash Jain  
Tel: (011) 45579024  
Email: [opjain@infomerics.com](mailto:opjain@infomerics.com)

**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





## Press Release

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](http://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
Cash Credit/ WCDL	-	-	-	45.00	IVR BBB+/ Stable Withdrawn
EPC/PCFC	-	-	-	24.00	IVR A2 Withdrawn
FBP/ FBD	-	-	-	17.50	IVR A2 Withdrawn
Bank Guarantee	-	-	-	15.00	IVR A2 Withdrawn

Annexure 2: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/len-Derewala-aug24.pdf>

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



## Press Release

**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](http://www.infomerics.com).

