

Rating Advisory February 04, 2020 | Mumbai

Sona Hi Sona Jewellers (Gujarat) Limited

Advisory as on February 04, 2020

This rating advisory is provided in relation to the rating of Sona Hi Sona Jewellers (Gujarat) Limited

The key rating sensitivity factors for the rating include:

- Scale of operations and profitability
- Working capital management

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Sona Hi Sona Jewellers (Gujarat) Limited (SHSJL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If SHSJL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the group:

Ahmedabad (Gujarat)-based SHSJL is a part of the Laxmi Group, and was formed as a proprietary concern of Mr Vijay Shah and his family in 2002. It was later converted into a private limited company in 2010. The firm retails gold, silver and diamond studded jewelry at its showroom in Ahmedabad. Mr. Vijay Shah and Mrs. Alpa Shah are the key promoters.

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Rating Rationale

November 30, 2018 | Mumbai

Sona Hi Sona Jewellers (Gujarat) Limited

'CRISIL BB-/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.13 Crore
Long Term Rating	CRISIL BB-/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its '**CRISIL BB-/Stable**' rating to the long-term bank facility of Sona Hi Sona Jewellers (Gujarat) Limited (SHSJL).

The rating reflects the extensive experience of SHSJL's promoters in the jewellery retailing business, and the company's moderate capital structure and debt protection metrics. These strengths are partially offset by the average scale of operations and exposure to fluctuation in gold prices.

Key Rating Drivers & Detailed Description

Strengths:

* **Extensive experience of promoters:** Promoters have been engaged in retailing of gold, silver and diamond jewellery for over 17 years, and also have vast experience in the real estate sector.

* **Moderate capital structure and debt protection metrics:** Financial risk profile is marked by a modest networth and gearing of Rs 10 crore and 1.23 times, respectively, as on March 31, 2018. Debt protection metrics were adequate, with interest coverage ratio of around 1.8 times as on March 31, 2018.

Weaknesses:

* **Average scale of operations and low profitability:** Intense competition in the jewellery retailing business has kept the scale of operations average, with turnover of Rs 59 crore in fiscal 2018. The firm faces competition from numerous independent small-scale enterprises and few large players, owing to low entry barriers. Limited value addition has further kept profitability low at 2-4% over the four years through March 2018.

* **Exposure to fluctuation in gold prices:** Fluctuation in gold prices can adversely impact the operating margin of players operating in the gems & jewellery industry, depending on the extent of inventory held on a regular basis.

Outlook: Stable

CRISIL believes SHSJL will continue to benefit from the extensive experience of its promoters and the vast clientele. Financial risk profile may remain moderate, supported by the controlled capital structure. The outlook may be revised to 'Positive' in case of significant improvement in sales and profitability and strengthening of financial risk profile. The outlook may be revised to 'Negative' if muted profitability, stretch in working capital cycle, or any large, debt-funded capital expenditure, weakens the financial risk profile.

About the Group

Ahmedabad (Gujarat)-based SHSJL is a part of the Laxmi Group, and was formed as a proprietary concern of Mr Vijay Shah and his family in 2002. It was later converted into a private limited company in 2010. The firm retails gold, silver and diamond studded jewelry at its showroom in Ahmedabad. Mr. Vijay Shah and Mrs. Alpa Shah are the key promoters.

Key Financial Indicators

As on / for the period ended March 31	Units	2018	2017
Operating income	Rs crore	59	54
Reported profit after tax	Rs crore	0.9	0.1
PAT margin	%	1.1	NA
Adjusted Debt/Adjusted Networkth	Times	1.28	1.62
Interest coverage	Times	1.78	1.15

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs cr)	Rating assigned and outlook
NA	Cash Credit	NA	NA	NA	13.00	CRISIL BB- /Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	13.00	CRISIL BB- /Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	13	CRISIL BB- /Stable	--	0	--
Total	13	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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