

## Rating Rationale

May 04, 2023 | Mumbai

### RBZ Jewellers Limited

Rating upgraded to 'CRISIL BBB/Stable'; 'CRISIL A3+' assigned to Bank Debt; rated amount enhanced for Bank Debt

#### Rating Action

Total Bank Loan Facilities Rated	Rs.70 Crore (Enhanced from Rs.50 Crore)
Long Term Rating	CRISIL BBB/Stable (Upgraded from 'CRISIL BBB-/Stable')
Short Term Rating	CRISIL A3+ (Assigned)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has upgraded its rating on the bank facilities of RBZ Jewellers Ltd (RBZ) to 'CRISIL BBB/Stable' from 'CRISIL BBB-/Stable', and assigned its 'CRISIL A3+' rating to the short-term facilities.

The upgrade reflects the steady growth in revenue that has a healthy segmental mix, and high operating margin that strengthens overall business risk profile. High profitability improved financial risk profile. However, liquidity will remain a key monitorable over the medium term considering the large working capital requirement of RBZ.

The ratings reflect the extensive experience of the promoters, established presence of the company in the jewellery industry and moderate financial risk profile. These strengths are partially offset by large working capital requirement and Susceptibility of operating profitability to volatility in gold prices, regulatory changes, and intense competition; and exposure to geographic and customer concentration.

#### Key Rating Drivers & Detailed Description

##### Strengths:

- **Extensive experience of the promoters in the jewellery industry:** RBZ is run by the fifth generation of Mr Narandas Soni, a goldsmith from Patan (Gujarat). The company has been in the jewellery business since 1897 and is currently managed by Mr. Rajendrakumar Zaveri, who has more than 30 years of experience; and Mr Harit Zaveri, who has about a decade's experience. Along with a keen understanding of market dynamics, the promoters have also developed a diversified business model that resulted in a compound annual growth rate of 64% in revenue in the past two fiscals, to Rs 288 crore in fiscal 2023.
- **Strong industry presence:** RBZ mainly manufactures gold ornaments with specialisation in kundani, antique, and polki work that targets the luxurious segment. Over the years, the company has established its presence in Ahmedabad, Gujarat. It also undertakes jobwork and manufacturing work for other large jewellery entities. The company supplies products to 72 cities in 19 states in India through jobwork and B2B business.
- **Moderate financial risk profile:** Networth was healthy at Rs 71 crore as on March 31, 2022, while controlled reliance on external funds led to strong gearing and total outside liabilities to adjusted networth (TOLANW) ratio of 0.84 time and 1.12 times, respectively. Interest coverage and net cash accrual to total debt ratios were comfortable at 4.65 times and 0.26 time, respectively, for fiscal 2022.

##### Weaknesses:

- **Working capital-intensive operations:** Gross current assets were over 199 days as on March 31, 2022, because of sizeable inventory of over 190 days. The company has three business segments – B2C, B2B and jobwork – of which B2C has the largest working capital requirement compared with the other two. Hence, maintaining a healthy mix of all the three business segments will be key for controlling working capital and improving overall operating efficiency. This will remain a monitorable.
- **Susceptibility of operating profitability to volatility in gold prices, regulatory changes, and intense competition; and exposure to geographic and customer concentration:** Revenue and profitability are susceptible to intense competition in the jewellery industry and to volatility in raw material prices. Since the gold jewellery business has many unorganised players and a few large retailers, competition among them is high; which limits their profitability margins. Operating performance will remain susceptible to volatility in gold prices, regulatory changes and intense competition. Moreover, unlike some peers who have a strong presence in the domestic and international markets, RBZ remains a

regional player in the B2C category. Furthermore, the company has single-location retail operations and high reliance on a particular customer (jobwork).

### **Liquidity: Adequate**

Bank limit utilisation was 95.3% for the 12 months through March 2023. Expected annual cash accrual of over Rs 22-30 crore will be sufficient to meet yearly term debt obligation of Rs 1.9-4.7 crore, over the medium term; the remaining will cushion liquidity. Current ratio was healthy at 1.76 times as on March 31, 2022. The promoters are likely to extend equity and unsecured loans to meet working capital requirement and debt obligation.

### **Outlook: Stable**

The company will continue to benefit from the extensive experience of its promoters and established relationships with clients.

### **Rating Sensitivity factors**

#### **Upward factors:**

- Sustained improvement in scale of operations and steady margin leading to cash accrual of over Rs 35 crore
- Sharp improvement in working capital cycle

#### **Downward factors:**

- Further stretch in working capital cycle impacting financial risk profile, including liquidity, with TOLANW weakening to above 1.5 times
- Sharp decline in net cash accrual on account of moderation in revenue or operating profit

### **About the Company**

Established in 2004 as a proprietorship concern and reconstituted as a private limited company in 2007, RBZ manufactures and wholesales various types of gold ornaments such as polki, kundan, and antique. The company also set up its first retail showroom in Ahmedabad in January 2015. Operations are managed by Mr Rajendra Zaveri and his son, Mr Harit Zaveri.

### **Key Financial Indicators**

As on / for the period ended March 31		2022	2021
Operating income	Rs crore	252.22	107.00
Reported profit after tax (PAT)	Rs crore	14.79	10.30
PAT margin	%	5.86	9.62
Adjusted debt/adjusted networkth	Times	0.84	0.97
Interest coverage	Times	4.65	3.60

**Any other information:** Not applicable

### **Note on complexity levels of the rated instrument:**

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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For more details on the CRISIL Ratings` complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

### **Annexure - Details of Instrument(s)**

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	65	NA	CRISIL BBB/Stable
NA	Bank Guarantee	NA	NA	NA	5	NA	CRISIL A3+

### **Annexure - Rating History for last 3 Years**

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	65.0	CRISIL BBB/Stable		--	06-09-22	CRISIL BBB-/Stable	08-06-21	CRISIL BBB-/Stable		--	Suspended
Non-Fund Based Facilities	ST	5.0	CRISIL A3+		--		--		--		--	--

All amounts are in Rs.Cr.

### **Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	1.3	Axis Bank Limited	CRISIL A3+
Bank Guarantee	3.7	Axis Bank Limited	CRISIL A3+
Cash Credit	46.3	Axis Bank Limited	CRISIL BBB/Stable
Cash Credit	18.7	IDBI Bank Limited	CRISIL BBB/Stable

This Annexure has been updated on 04-May-2023 in line with the lender-wise facility details as on 13-Apr-2023 received from the rated entity.

## Criteria Details

<b>Links to related criteria</b>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>

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