

## Rating Rationale

June 27, 2024 | Mumbai

### RBZ Jewellers Limited

Ratings reaffirmed at 'CRISIL BBB/Positive/CRISIL A3+'; Rated amount enhanced for Bank Debt

#### Rating Action

Total Bank Loan Facilities Rated	Rs.150 Crore (Enhanced from Rs.70 Crore)
Long Term Rating	CRISIL BBB/Positive (Reaffirmed)
Short Term Rating	CRISIL A3+ (Reaffirmed)

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 reaffirmed its 'CRISIL BBB/Positive/CRISIL A3+' ratings on the bank facilities of RBZ Jewellers Ltd (RBZ).

CRISIL Ratings had revised its rating outlook on the long-term bank facilities of (RBZ) to 'Positive' from 'Stable' and reaffirmed the rating at 'CRISIL BBB'; the short-term rating has been reaffirmed at 'CRISIL A3+' on February 21, 2024.

The ratings continue to reflect the extensive experience of the promoters in the jewellery industry and healthy financial risk profile of the company. These strengths are partially offset by large working capital requirement and susceptibility of operating profitability to volatility in gold prices, regulatory changes, intense competition and geographical and customer concentration risks.

#### Key Rating Drivers & Detailed Description

##### Strengths:

- Extensive experience of the promoters:** The company is promoted by Mr Rajendrakumar Zaveri and his son, Mr Harit Zaveri. While Mr Rajendrakumar Zaveri has more than three decades of experience, his son too has about a decade of experience in the jewellery industry. Expertise of the promoters, their strong understanding of market dynamics and healthy relationships with customers and suppliers should continue to support the business. The company has its own manufacturing set up, resulting in better control over costs and increasing profit margins. The company supplies products to 72 cities across 19 states in India through job work and the business-to-business (B2B) route. Revenue has increased at a compound annual growth rate of 45% for the past three fiscals to Rs 327.4 crore in fiscal 2024.
- Healthy financial risk profile:** Networth has improved post the Rs 100 crore initial public offering (IPO) in December 2023 to Rs 205.3 crore as on March 31, 2024. This reduced reliance on external borrowing, resulting in strong gearing of 0.34 time and total outside liabilities to adjusted networth (TOL/ANW) ratio of 0.37 time as on March 31, 2024. Debt protection metrics were also comfortable, with interest coverage ratio of 4.93 times and net cash accrual to total debt ratio of 0.33 time for fiscal 2024.

##### Weaknesses:

- Large working capital requirement:** Gross current assets were more than 284 days as on March 31, 2024, driven by huge inventory of over 283 days. The company has three business segments – business-to-customer (B2C), B2B and job work – of which B2C has the largest working capital requirement. Additionally inventory required for the job work segment does not rightly translate into days as only job work charges has been booked as revenue and hence the same resulted in high inventory with increase in job work business. The company also procured high inventory in the last quarter of fiscal 2024 using IPO proceeds, which is expected to result in business growth in the coming quarters. Hence, maintaining a healthy mix of all the three segments for controlling working capital and improving overall operating efficiency will be monitorable.
- Susceptibility of operating profitability to volatility in gold prices, regulatory changes, intense competition and geographic and customer concentration risks:** The jewellery industry is highly fragmented and the consequent intense competition may continue to constrain scalability, pricing power and profitability. Operating performance will remain susceptible to volatility in gold prices and regulatory changes. Moreover, unlike some peers who have a strong presence in the domestic and international markets, RBZ remains a regional player in the B2C category. The company has single-location retail operations and a significant portion of earnings before interest, taxes, depreciation, and amortisation is contributed from the job work segment.

#### Liquidity: Adequate

Liquidity should remain supported by the ample surplus available in cash accrual and bank lines. Bank limit utilisation was 62.97% on average for the 12 months through May 2024. Cash accrual is expected at Rs 38-45 crore per annum, against yearly debt obligation of Rs 3-4 crore over the medium term. Current ratio stood robust at 4.61 times on March 31, 2024. The promoters are likely to extend need-based funds (equity and unsecured loans) to aid operations.

#### Outlook: Positive

The market position of RBZ will continue to be driven by sharp increase in operating revenue, extensive experience of the promoters and their established relationship with clients.

### Rating Sensitivity factors

#### Upward factors

- Steady increase in revenue and stable operating margin, leading to cash accrual over Rs 35 crore
- Improvement in the working capital cycle

#### Downward factors

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

### About the Company

RBZ was incorporated as a private-limited company in 2008 and got reconstituted into a public-limited company on February 25, 2023. The company is one of the organised manufacturers of gold jewellery in India. It also processes and supplies gold jewellery on job work basis to national retailers. The company operates its retail showroom under the Harit Zaveri brand and has a manufacturing unit at Ahmedabad in Gujarat. Operations are managed by the promoters, Mr Rajendra Zaveri and his son, Mr Harit Zaveri.

### Key Financial Indicators

As on/for the period ended March 31		2024	2023
Operating income	Rs crore	327.43	287.94
Reported profit after tax (PAT)	Rs crore	21.57	22.33
PAT margin	%	6.59	7.76
Adjusted debt/adjusted networkth	Times	0.34	1.04
Interest coverage	Times	4.93	4.74

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.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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 instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity Levels	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	97	NA	CRISIL BBB/Positive
NA	Bank guarantee	NA	NA	NA	5	NA	CRISIL A3+
NA	Proposed fund-based bank limit	NA	NA	NA	48	NA	CRISIL BBB/Positive

### Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	145.0	CRISIL BBB/Positive	21-02-24	CRISIL BBB/Positive	04-05-23	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+	21-02-24	CRISIL A3+	04-05-23	CRISIL A3+	--	--	--	--	--

All amounts are in Rs.Cr.

### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	5	Axis Bank Limited	CRISIL A3+
Cash Credit	28.7	IDBI Bank Limited	CRISIL BBB/Positive
Cash Credit	36.3	Axis Bank Limited	CRISIL BBB/Positive
Cash Credit	25	The Federal Bank Limited	CRISIL BBB/Positive
Cash Credit	7	IDBI Bank Limited	CRISIL BBB/Positive
Proposed Fund-Based Bank Limits	20	State Bank of India	CRISIL BBB/Positive
Proposed Fund-Based	28	Not Applicable	CRISIL BBB/Positive

## Bank Limits

## Criteria Details

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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