

Zinzuwadia Brothers Jewellers

Instrument	Amount (Rs Crore)	Rating Action
Long Term Fund Based-Cash Credit	8.00	[ICRA]BB-(Stable) Reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]BB-(pronounced ICRA double B minus) assigned to the Rs 8.00 crore¹ long term fund based cash credit facility of Zinzuwadia Brothers Jewellers (ZBJ)². The outlook on the long term rating is 'Stable'.

The reaffirmation of the rating factors in the weak financial risk profile characterized by modest scale of operations, aggressive capital structure, weak coverage indicators and high working capital intensity in the jewellery retail business. Further, the rating is constrained by the vulnerability of profitability to volatility in gold prices, although the risk is mitigated to some extent by the firm making back to back purchases against sales. The ratings also factor in a highly competitive and fragmented industry with future growth exposed to increasing competition from large organized retail players. The firm's operations are also exposed to regulatory risks such as the restrictions on gold imports or the recent imposition of excise duty on gold manufacturing. The ratings also factor in any potential adverse impact on the net worth and gearing level in case of any substantial withdrawal from capital account given the constitution as a partnership firm.

The rating, however, takes comfort from the established track record of the firm and long standing experience of more than four decades of the promoters in the jewellery manufacturing, trading and retail industry. Further, the ratings positively factor in the strong reputation of the firm in the jewellery retail business

Going forward, ICRA expects the operating income of the firm to witness moderate growth in the medium term driven by steady demand prospects for gold jewellery and increased brand presence of the firm through various advertising efforts. Profitability however would continue to remain exposed to adverse fluctuations in gold prices and high competitive intensity of the jewellery retail sector. In ICRA's view, the ability of the firm to scale up and improve its profit margins while maintaining a prudent capital structure by managing its working capital requirements would remain the key rating sensitivities. ZBJ's ability to scale up the operations while managing the working capital cycle efficiently will be important from a credit perspective going forward. Further, being a partnership firm, the extent of withdrawals from the capital account by the promoter would be a rating sensitivity.

Entity Profile

Zinzuwadia Brothers Jewellers (ZBJ) was established in 1969, as a wholesaler and trader of gold, silver jewellery with operations based in Ahmedabad. The firm entered the retail jewellery business in 1993 and currently operates out of its 2100 sq. ft. showroom in C.G. Road comprising of a workforce of 20 trained personnel. The firm is owned and managed by members of the Soni family.

Recent Results

During FY 2015, ZBJ reported operating income of Rs. 47.27 crore and profit after tax of Rs. 0.26 crores as against operating income of Rs. 48.52 crores and profit after tax of Rs. 0.32 crores in FY 2014. Further, during FY 2016 ZBJ reported operating income of Rs. 54.91 crore and profit after tax of Rs. 0.44 crores (as per unaudited provisional financials).

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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