

Derewala Industries Limited

	Amount (Rs. In. Corore)	Rating Action
Long-term Fund Based Limits	14.50	[ICRA]BBB (Stable) reaffirmed
Short-term Fund Based Limits	33.00	[ICRA]A3+ reaffirmed
Long-term/Short-term Interchangeable (Sub-Limits of Fund Based Limits)	(18.00)	[ICRA]BBB (Stable)/[ICRA]A3+ reaffirmed
Short-term Non Fund Based Limits	163.50	[ICRA]A3+ reaffirmed
Total	211.0	

The ratings assigned to the Rs 211.0 crore¹ bank facilities of Derewala Industries Limited ('DIL' or 'the company') have been reaffirmed at [ICRA]BBB/[ICRA]A3+ (pronounced ICRA triple B/ICRA A three plus)². The outlook on the long term rating is "Stable".

The rating reaffirmation continues to take into consideration the long standing experience of the promoters and Derewala Group in the jewellery manufacturing industry; presence in niche Italian gold jewellery segment supported by an integrated production setup and a well diversified customer base and favourable payment terms which help mitigate credit risks. The ratings are, however, constrained by the relatively stagnant operating profits and net cash accruals despite healthy scale up in operations; leveraged financial profile attributable to debt funded working capital requirements and the resultant deterioration in debt metrics. While DIL has reported healthy revenue growth over the last three years with scale up of gold jewellery business segment; however, such change in product mix has resulted in a dip in operating margins due to inherently low margins in the gold jewellery business. ICRA notes that DIL operates in a highly fragmented and competitive jewellery industry and is further exposed to regulatory changes which may impact the availability of bullion and cost of manufacturing for players like DIL. Further, given the high inventory holding requirements exposes the company to risks of write-downs in such inventory valuations in the event of sharp drop in gold prices; nonetheless, sourcing through metal loans helps mitigate this risk to an extent. Going forward, the ability of the company to improve its operating profitability and cash accruals and resultant debt metrics with further scale up in operations shall remain the key rating sensitivities.

About the Company

The Derewala Group, is engaged in the manufacturing and whole sale of silver jewellery for export markets and gold jewellery for domestic market. The group, promoted by Mr Pramod Agrawal, started its business in 1986 through a proprietorship firm called Derewala Jewellery Manufacturing Company. Later in 2003, Mr Agrawal's brother, Mr Yogendra Garg joined the business and converted the proprietorship into a partnership venture Derewala Jewellery Industries. In April 2007, the promoters converted the partnership firm into a private limited company and then into a public limited company with effect from March 31st, 2008 which is now Derewala Jewellery Industries Limited. The company was renamed as Derewala Industries Limited in 2014.

The company's manufacturing facilities are located in Export Promotion Industrial Park (EPIP) in Sitapura Industrial Area in Jaipur. Its silver jewellery portfolio includes rings, pendants, necklaces, bracelets, earrings, findings and beaded jewellery, which is supplied to wholesalers and direct marketing companies in the US, UK, Germany and France. The gold jewellery includes chains, mesh, stamped and gold flick products which are supplied to both wholesalers as well as reputed retailers in India.

Recent Results

As per audited results, DIL reported a Profit after Tax (PAT) of Rs 7.9 crore in FY2015 on an Operating Income (OI) of Rs 619.6 crore in FY2015 as against a PAT of Rs 6.4 crore in FY2014 on an OI of Rs 540.9 crore in FY2014. DIL reported an OI of Rs 564.1 crore for 9MFY16 as against Rs 357.6 crore in 9MFY15.

March 2016

¹ Rs 1 Crore = Rs 100 Lakh = Rs 10 Million

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



For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001

Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002

Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: **9821086490**

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion

Appasaheb Marathe Marg, Prabhadevi

Mumbai—400025,

Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna

234/3A, A.J.C. Bose Road

Kolkata—700020

Tel +91-33-22876617/8839 22800008/22831411,

Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre

634 Anna Salai, Nandanam

Chennai—600035

Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

'The Millenia'

Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008

Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,

Ahmedabad- 380006

Tel: +91-79-26585049, 26585494, 26584924; Fax:

+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020

Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083

Tel:- +91-40-40676500