



**Press Release**  
**Karan Kothari Jewellers Private Limited**  
**July 17, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.43	ACUITE BBB   Negative   Reaffirmed   Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	100.43	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.100.43 crore bank facilities of Karan Kothari Jewellers Private Limited (KKJPL). The outlook has been revised from 'Stable' to '**Negative**'

**Rationale for revision in outlook**

The revision in outlook is on account of lower than anticipated growth in profitability and deterioration in the working capital management. The GCA days of the company increased to 192 days in FY2023 (prov.) as against 177 days in FY2022 and 165 days in FY2021 leading to higher reliance on banking limits. The operating profit margin of the company declined to 3.52% in FY2023(prov.) as against 3.55% in FY2022 and 4.05% in FY2021. The rating continues to derive comfort from the company's moderate financial risk profile, its established track record of operations, and experience of the management.

**About the Company**

Mumbai-based, KKJPL established in 1960 as M/s Kothari Jewellers by late Mr. Maganmal Kothari. In 1991 the name was changed to M/s Karan Jewellers, and later in 2004 the running operations of M/s Karan Jewellers were taken over by Karan Kothari Jewellers Private Limited. The company is promoted by Mr. Chandra S. Kothari, Mr. Pradeep M. Kothari, Ms. Shivani Sadaphal and Mr. Karan N. Kothari. It is engaged in retailing gold, silver, & diamond jewellery and currently having four showrooms in Nagpur and one showroom in Chandrapur.

**Analytical Approach**

Acuite has taken a standalone view of the business and financial risk profile of KKJPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Established track record of operations along with experienced management**

Nagpur based, KKJPL was established in 1960; thus, the company has an operational track record of over six decades in Gems & Jewellery industry. At present, the company's day to day operation is managed by the third generation of the Kothari family. The directors, Mr.

Chandra S. Kothari, Mr. Pradeep M. Kothari, Ms. Shivani Sadaphal and Mr. Karan N. Kothari have an experience of around three decades in the aforementioned line of business. The long

track record of operations along with extensive experience of the promoters has helped the company maintain a stable business risk profile.

The revenue of the company stood at Rs.495.46 Cr. in FY2023(prov.) registering a growth of 9 percent YoY compared to revenue of Rs.456.67 Cr. in FY2022. The operating profit margin of the company declined to 3.52% in FY2023(prov.) as against 3.55% in FY2022

### **Moderate Financial Risk Profile**

The financial risk profile of the company is moderate marked by moderate tangible net worth, gearing levels, and moderate debt protection metrics. The tangible net worth of the company stood at Rs.67.36 Cr. as on March 31, 2023 (prov.) as against Rs.63.68 Cr. as on March 31, 2022. The company follows a moderate leverage policy as reflected in its gearing level of 1.78 times as on March 31, 2023 (prov.) as against 1.82 times as on March 31, 2022. The total outside liabilities to total net worth (TOL/TNW) increased to 3.12 times as on March 31, 2023(prov.) as against 2.71 times as on March 31, 2022. The total debt of Rs. 119.62 Cr. as on March 31, 2023 (prov.) includes unsecured loans from promoters/director of Rs. 22.48 Cr. and working capital borrowings of Rs. 97.14 Cr. The debt protection metrics of the company are moderate with interest coverage ratio (ICR) of 1.59 times in FY2023 (prov.) as against 1.57 times in FY2022. The debt service coverage ratio (DSCR) stood at 1.47 times in FY2023 (prov.) as against 1.46 times in FY2022.

Acuité believes that the financial risk profile of the company is expected to remain moderate in the absence of any major debt funded capex in near to medium term.

### **Weaknesses**

#### **Working Capital Intensive Nature of Operations**

The operations of the company are working capital-intensive nature marked by high the gross current asset (GCA) days and high working capital utilisation. The GCA days of the company increased to 192 days in FY2023 (prov.) as against 177 days in FY2022. The GCA days are marked by high inventory days of 185 days in FY2023(prov.) as against 162 days in FY2022. The debtor days stood at 5 days in FY2023(prov.), and in FY2022. The creditor days stood at 51 days in FY2023 (prov.) as against 37 days in FY2022. The average working capital utilisation of the company stood higher at 94.85% for last seven months ended April 2023.

#### **Revenue concentration**

The company faces high store and geographic concentration risk. The company's total revenue is generated majorly from top 2 stores contributing to ~80-85 percent of total revenue. The top 2 stores which contribute ~80-85 percent are located in Nagpur. The high store concentration renders the revenue growth and profitability susceptible to the growth plans.

#### **Susceptibility to regulatory framework and intense competition in jewellery Industry**

Government's regulations aimed towards increasing transparency in the gold jewellery industry through mandatory PAN disclosures for transactions above Rs.2.00 lakh and compulsory hallmarking impacting the gold jewellery demand could hinder near - term growth prospects of the company. Despite its longstanding presence in the business, KKJPL faces intense competition from the national players, such as Titan Company Limited, Tribhovandas Bhimji Zaveri Limited, Kalyan Jewellers India Limited, and other regional as well as pan-India players. Further, the fragmented nature of the industry has resulted in strong competitive pressures, thereby squeezing players' margins.

### **Rating Sensitivities**

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any further stretch in the working capital cycle leading to deterioration in debt

protection.

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

The liquidity position of the company is adequate on moderate net cash accruals against no maturing debt obligations. The company generated net cash accrual of Rs. 5.16 Cr. in FY2023 as against no maturing debt obligations. Going ahead, the company is expected to generate net cash accrual in the range of Rs. 5.76 – 6.83 Cr. during FY2024-2025. The average working capital utilisation of the company stood higher at 94.85% for last seven months ended April 2023. The current ratio of the company stood at 1.39 times in FY2023(prov.). The unencumbered cash and bank balance stood at Rs.5.63 crore as on March 31,2023.(prov.)

### **Outlook : Negative**

Acuite believes that KKJPL will maintain a 'negative' outlook on account of deterioration in the profitability and working capital management of the company. The rating may be downgraded in case of further stretch in working capital cycle or deterioration in financial risk profile driven by deteriorating operating performance . The outlook may be revised to 'Stable' in case of sustained improvement in revenues and profitability margins and improvement in working capital cycle.

### **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	495.46	456.67
PAT	Rs. Cr.	3.68	3.27
PAT Margin	(%)	0.74	0.72
Total Debt/Tangible Net Worth	Times	1.78	1.82
PBDIT/Interest	Times	1.59	1.57

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Jun 2022	Working Capital Term Loan	Long Term	6.83	ACUITE BBB   Stable (Assigned)
	Working Capital Term Loan	Long Term	13.60	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	50.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
29 Apr 2021	Cash Credit	Long Term	80.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A3 (Withdrawn)
26 Mar 2020	Bank Guarantee	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	68.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	15.00	ACUITE A3 (Withdrawn)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.84	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	10.76	ACUITE BBB   Negative   Reaffirmed   Stable to Negative
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	6.83	ACUITE BBB   Negative   Reaffirmed   Stable to Negative

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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