



Press Release
Karan Kothari Jewellers Private Limited
October 14, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.43	ACUITE BBB Stable Reaffirmed Negative to Stable	-
Total Outstanding Quantum (Rs. Cr)	100.43	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for reaffirmation and revision in outlook

Acuite has revised the outlook for KKJPL to 'Stable' from 'Negative' and reaffirmed the rating. This revision is based on the company's improved operating performance marked by increase in revenue to Rs. 550.02 crore in FY24 (Provisional) from Rs. 495.55 crore in FY23, reflecting an 11% year-on-year growth. The operating margin improved to 3.72% in FY24 (Provisional) from 3.54% in FY23, and PAT margins rose to 0.95% in FY24 (Provisional) from 0.74% in FY23. Additionally, the company's working capital management showed marginal improvement, with Gross Current Asset (GCA) days reducing to 182 days as of March 31, 2024 (Provisional) from 186 days as of March 31, 2023.

The rating reaffirmation also considers the moderate financial risk profile and adequate liquidity position, marked by sufficient net cash accruals against no maturing debt obligations. However, the rating is constrained by the company's intensive working capital operations.

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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.550.02 Cr. in FY2024(prov.) registering a growth of 11 percent YoY compared to revenue of Rs.495.55 Cr. in FY2023. The operating profit margin of the company improved to 3.72% in FY2024(prov.) as against 3.54% in FY2023.

KKJPL has launched its application-based software, enabling them to connect with a wide range of customers. Additionally, the company has joined the IIBX bullion exchange, allowing them to procure fine gold directly from IIBX instead of through bullion dealers. This is expected to result in a cost reduction of 1-2% incurred towards its gold procurements. Acuite believes in view of these new developments and overall established track records of operations, the scale of operations and profitability margins of the company are likely to improve in the near to medium term.

Change in business dynamics

KKJPL has launched its application-based software, enabling them to connect with a wide range of customers and allowing customer to invest in gold saving schemes. Additionally, the company has joined the IIBX bullion exchange, allowing them to procure fine gold directly from IIBX instead of through bullion dealers which has resulted in a cost reduction of 1-2%. The company leverages competitive international rates to procure gold directly from the global market. This strategy allows it to bypass the chain of bullion suppliers and avoid middlemen, thereby reducing additional transportation and security costs that would otherwise be incurred if purchasing from other bullion dealers.

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 improved and stood at Rs.72.56 Cr. as on March 31, 2024(Prov.) as against Rs.67.33 Cr. as on March 31, 2023. The company follows a moderate leverage policy as reflected in its gearing level of 1.57 times as on March 31, 2024(Prov.) as against 1.80 times as on March 31, 2023. The total outside liabilities to total net worth (TOL/TNW) stood at 3.03 times as on March 31, 2024(Prov.) as against 2.99 times as on March 31, 2023. The total debt of Rs. 113.68 Cr. as on March 31, 2024(Prov.) includes unsecured loans from promoters/director of Rs.17.50 Cr. and working capital borrowings of Rs.96.18 Cr. The debt protection metrics of the company are moderate with interest coverage ratio (ICR) of 1.74 times in FY2024(Prov.) as against 1.58 times in FY2023. The debt service coverage ratio (DSCR) stood at 1.59 times in FY2024(Prov.) as against 1.46 times in FY2023.

Acuite 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

Intensive working Capital Nature of Operations

The working capital operations of the company are intensive in nature marked by moderate gross current asset (GCA) days and working capital utilisation. The GCA days of the company has slightly improved to 182 days in FY2024(Prov.) as against 186 days in FY2023. The inventory days have improved to 148 days in FY2024(Prov.) as against 179 days in FY2023. The debtor days stood at 31 days in FY2024(Prov.), and 6 days in FY2023. The creditor days stood at 56 days in FY2024(Prov.) as against 51 days in FY2023. The average working capital utilisation of the company stood higher at 85% for last six months ended August 2024. Acuite believes operations of the company shall continue to remain intensive considering its nature of operations.

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 stretch in the working capital cycle leading to deterioration in debt protection.

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. 6.99 Cr. in FY2024(Prov.) as against no maturing debt obligations. Going ahead, the company is expected to generate net cash accrual in the range of Rs. 10-12.50 Cr. during FY2025-2026. The average working capital utilisation of the company stood higher at 85% for last six months ended August 2024. The current ratio of the company stood at 1.35 times in FY2024(prov.). The unencumbered cash and bank balance stood at Rs.5.65 crore as on March 31,2024(Prov.)

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	550.02	495.55
PAT	Rs. Cr.	5.24	3.64
PAT Margin	(%)	0.95	0.74
Total Debt/Tangible Net Worth	Times	1.57	1.80
PBDIT/Interest	Times	1.74	1.58

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Jul 2023	Cash Credit	Long Term	50.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	10.76	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	6.83	ACUITE BBB Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.84	ACUITE BBB Negative (Reaffirmed)
24 Jun 2022	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)
	Working Capital Term Loan	Long Term	6.83	ACUITE BBB Stable (Assigned)
	Working Capital Term Loan	Long Term	13.60	ACUITE BBB Stable (Assigned)
29 Apr 2021	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3 (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	80.00	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE BBB Stable Reaffirmed Negative to Stable
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB Stable Reaffirmed Negative to Stable
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.51	Simple	ACUITE BBB Stable Reaffirmed Negative to Stable
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	29 Feb 2024	Not avl. / Not appl.	31 Jan 2028	7.37	Simple	ACUITE BBB Stable Reaffirmed Negative to Stable
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	10 Jun 2022	Not avl. / Not appl.	10 May 2026	6.55	Simple	ACUITE BBB Stable Reaffirmed Negative to Stable

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About Acuité Ratings & Research

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