

Press Release

M J GOLD PRIVATE LIMITED (MJGPL)

14 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs 12.00 crore bank facilities of M J GOLD PRIVATE LIMITED (MJGPL). The outlook is '**Stable**'.

MJGPL was incorporated in 2010. The Uttar Pradesh-based company is engaged in the manufacture and wholesale trading of gold jewellery (rings, nose pins, necklaces etc). It is led by Directors, Mr. Himanshu Maheshwari, Mr. Rishabh Maheshwari and Mrs. Geetanjali Maheshwari.

Key Rating Drivers

Strengths

- **Experience management**

The Directors have more than a decades experience in the manufacturing and wholesale trading of gold jewellery.

- **Moderate financial risk profile**

The net worth stood moderate at Rs. 7.46 crore as on 31 March, 2017 as against Rs. 6.59 crore in 31 March, 2016. The gearing ratio improved to 1.00 times as on 31 March, 2017 from 1.07 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) improved to 2.10 times in FY2017 as against 1.38 times in FY2016. The DSCR stood at 1.74 times in FY2017 compared to 1.28 times in FY2016.

- **Comfortable working capital cycle**

MJGPL has efficient working capital cycle of 18 days in FY2017 as against 10 days in FY2016. The GCA days are also comfortable at 18 days in FY2017 which improved from 26 days in FY2016. This is on account of low inventory holding period of 14 days in FY2017 and 21 days in FY2016. The debtor days stood low at three days in FY2017 as against four days in FY2016. Further, the bank limit utilisation also stood low at 37.26 per cent for the last six months ended December, 2017.

Weaknesses

- **Low profitability**

The EBITDA margin stood low at 0.58 per cent in FY2017 as compared to 0.29 percent in FY2016. The company reported net profit of Rs. 0.87 crore in FY2017 with PAT margin of 0.20 percent in FY2017. The profitability margins are quite low due to fluctuation in the prices of gold.

- **Susceptibility of profit margins to volatility in gold prices**

The profit margins are susceptible to fluctuations in the prices of gold. Adverse changes in the prices of gold may impact the profitability margins of the company.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of ANS for arriving at the rating.

Outlook: Stable

SMERA believes that MJGPL will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	428.07	324.35	363.40
EBITDA	Rs. Cr.	2.46	0.95	1.24
PAT	Rs. Cr.	0.87	0.20	0.16
EBITDA Margin	(%)	0.58	0.29	0.34
PAT Margin	(%)	0.20	0.06	0.04
ROCE	(%)	18.16	9.29	17.44
Total Debt/Tangible Net Worth	Times	1.00	1.07	1.08
PBDIT/Interest	Times	2.10	1.38	1.42
Total Debt/PBDIT	Times	2.81	5.33	5.55
Gross Current Assets (Days)	Days	18	26	15

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entity- <https://www.smera.in/criteria-manufacturing.htm>
- Trading Entity - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB - / Stable

Contacts

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