

Press Release

JMK Enterprises Private Limited

August 29, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.40 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 13.40 crore bank facilities of JMK Enterprises Private Limited. The outlook is '**Stable**'.

JMK Enterprises Private Limited (JEPL) incorporated in 2007 is based out of Jhansi (Uttar Pradesh). The company is promoted by Mr. Rakesh Singh Baghel, Mr. Pratibha Singh Baghel, Mr. Inder Pal Bhalla, Mr. Ratnesh Singh Baghel and Mr. Rishabh Singh Baghel. The company operates a showroom of Tanishq jewellery in Jhansi.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of JEPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by networth of Rs.6.14 crore as on 31 March, 2018 (Provisional) as against Rs.5.36 crore as on 31 March, 2017. The gearing stood high at 2.51 times as on 31 March, 2018 (Provisional) as against 2.09 times as on 31 March, 2017. Interest Coverage Ratio stood at 2.04 times in FY2018 (Provisional) as against 2.11 times in FY2017. The net cash accruals stood at 1.32 crore in FY2018 (Provisional) and NCA/TD at 0.09 times in FY2018 (Provisional). TOL/TNW stood at 2.65 times in FY2018(Provisional).

- **Experienced management**

The company is operating since 2007 promoted by Mr. Rakesh Singh Baghel and Mr. Pratibha Singh Baghel along with others having experience of around 18 years in the trading business by virtue of prior employment. Acuité believes that the company will continue to benefit from its established relationship with its suppliers and customers.

Weaknesses

- **Working capital intensive nature of operations**

JEPL's operations are working capital intensive evident from high Gross Current Assets (GCA) of 130 days in FY2018 (Provisional), an increased from 105 days in FY2017 which entirely consist of inventory days. This necessitates working capital requirement as major funds gets blocked in inventory.

- **Susceptibility of profitability margins due to fluctuations in the raw material prices of traded goods**

Margins of the company are susceptible to volatility in gold and gems prices. Any significant changes in raw material prices due to import pressure and over supply would have an impact on margins of the company.

Outlook: Stable

Acuité believes that JEPL will maintain a 'Stable' outlook over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	48.11	42.99	31.70
EBITDA	Rs. Cr.	3.04	2.63	1.90
PAT	Rs. Cr.	0.79	0.83	0.20
EBITDA Margin	(%)	6.31	6.11	5.99
PAT Margin	(%)	1.64	1.94	0.63
ROCE	(%)	13.48	14.91	23.06
Total Debt/Tangible Net Worth	Times	2.51	2.09	2.66
PBDIT/Interest	Times	2.04	2.11	1.22
Total Debt/PBDIT	Times	4.95	4.18	6.07
Gross Current Assets (Days)	Days	126	103	133

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

On 28 June, 2018 CRISIL Limited has migrated JMK Enterprises Private Limited Long-Term Issuer Rating to the non-cooperating category.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BB- / Stable
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.39	ACUITE BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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