

Press Release

Panache Gems

September 03, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.50 Cr.
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.7.50 crore bank facilities of Panache Gems (PG).

Panache Gems is a Mumbai based partnership firm established in 1988. It is promoted by Mrs. ChetnaNaresh Shah and Mr. AtitNaresh Shah. The firm is engaged in trading of cut and polished diamonds in the range of 0.30 carat to 10 carat. The firm caters to countries such as Hong Kong, USA, Australia, Israel and U.K. Exports account for ~40 percent of the firm's total sales.

Analytical Approach

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

Key Rating Drivers

Strengths

- Established track record of operations and experienced management

Panache Jems was established in 1988, thereby establishing track record of operations for around three decades. The firm has developed healthy relations with its customers. Also the promoters have around two decades of experience in diamond industry. Acuité believes that the firm will be benefitted by the experienced management and established track record of operations over the medium term.

Weaknesses

- Uneven revenue trend

The firm has shown uneven revenue trend during the period FY2016 to FY2018 (Provisional) under the study. The revenue stood at Rs.35.73 crore in FY2018 (Provisional) as against Rs.44.95 crore in FY2017 and Rs.36.03 crore in FY2016. The reason for revenues to be uneven is on account of intense competition and negative industry sentiments. Acuité believes that the ability of the firm to scale up its operations while maintaining the profitability in such competitive industry over the medium term will be key rating sensitivity.

- Deterioration in working capital cycle

The working capital cycle has deteriorated in FY2018 (Provisional) over FY2017 reflecting in its increase in Gross Current Assets (GCA) of 288 days in FY2018 (Provisional) as against 99 days in FY2017. The reason for increase in GCA days is majorly on account of increase in inventory holding period and receivables in FY2018 over FY2017. The inventory holding period stood at 120 days in FY2018 (Provisional) as against 23 days in FY2017 as the firm's purchase has increased in last three months of FY2018 on account of getting diamond at low cost. The receivables days have also increased to 160 days in FY2018 (Provisional) as against 73 days in FY2017. The firm has extended credit period to its customers due to intense competition in the industry. Acuité believes that the ability of the firm to maintain its working capital cycle will be key rating sensitivity.

- Partnership constitution

The partnership constitution of the firm makes it vulnerable to the risk of capital withdrawal.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	35.73	44.95	36.03
EBITDA	Rs. Cr.	0.96	0.68	0.60
PAT	Rs. Cr.	0.19	0.22	0.20
EBITDA Margin	(%)	2.70	1.51	1.66
PAT Margin	(%)	0.54	0.48	0.55
ROCE	(%)	5.06	8.09	11.10
Total Debt/Tangible Net Worth	Times	0.41	0.02	1.61
PBDIT/Interest	Times	1.45	2.12	2.18
Total Debt/PBDIT	Times	8.49	0.28	7.46
Gross Current Assets (Days)	Days	288	99	148

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-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

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

Any other information:

None

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

None

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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4

PCFC facility is fully interchangeable with PSC/PSCFC

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About Acuite Ratings & Research:

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