Press Release

Jodhani Exports

December 21, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 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. 20.00 crore bank facilities of Jodhani Exports (JE). The outlook is **'Stable'**.

Established in 1989, Jodhani Exports is a partnership firm engaged in manufacturing of cut and polished diamonds. The day to day operations are carried out by its partners, Mr. Limbabhai Jodhani along with others. The firm has three manufacturing units with total installed capacity of 95000 carats per month.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of JE to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

  JE commenced operations from 1989. The firm is promoted by its partners, Mr. Limbabhai Jodhani who manages purchases and has around four decades of experience, Mr. Ravjibhai Jodhani who manages sales, Mr. Sanjaybhai Jodhani who manages marketing activities, Mr. Jayrajbhai Jodhani and Mr. Rambhai Jodhani who manage the firm's manufacturing activities. The extensive experience of the partners has enabled the firm forge healthy relationships with customers and suppliers. Acuité believes that JE will continue to benefit from its experienced management and established relationships with customers.

- **Comfortable financial risk profile**

  The financial risk profile is comfortable marked by high net worth and comfortable debt protection measures and gearing. The net worth of the company is high at Rs.22.80 crore as on 31 March, 2018 as against Rs.23.48 crore as on 31 March, 2017. The gearing of the company has stood comfortable at 0.87 times as on March 31, 2018 as against 0.82 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 6.60 times as on 31 March, 2018 as against 5.86 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.76 times in FY2018 as against 1.70 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.06 times as on 31 March, 2018 as against 0.07 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.64 times for FY2018 as against 1.70 times in FY2017. Acuité believes that the financial risk profile of JE will continue to remain comfortable over the medium term on account of its improving scale of operations and plans to reduce the debt and increase the profitability.

Weaknesses

- **Intensive working capital operations**

  JE has intensive working capital operations marked by Gross Current Assets (GCA) of 315 days in FY2018 as against 407 days in FY2017. The company maintains inventory of around 60 days on an average and extends clean credit of around 120 days to its customers, resulting in high GCA days. The inventory and debtor levels stood at 145 days and 173 days in FY2018 as against 115 days and 297 days in FY2017, respectively. As a result, bank limits are fully utilised in the last six months ending 30 November, 2018. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the level of inventory required to be maintained and clean credit to be given to the customers.

• **Susceptibility of profitability to volatility in material prices**
The raw material prices are highly volatile in nature adversely impacting the profitability margins of the firm. Further, the firm is exposed to fluctuation in currency prices while it has hedging mechanism in place to mitigate the risk.

Outlook: Stable
Acuité believes that JE will continue maintain 'Stable' outlook over the medium term from the industry experience of its partners. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in JE's operating income or profitability, while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	62.55	43.08	68.91
EBITDA	Rs. Cr.	2.80	3.18	4.12
PAT	Rs. Cr.	0.47	0.65	1.29
EBITDA Margin	(%)	4.47	7.38	5.99
PAT Margin	(%)	0.76	1.51	1.87
ROCE	(%)	5.57	5.82	14.86
Total Debt/Tangible Net Worth	Times	0.87	0.82	1.17
PBDIT/Interest	Times	1.76	1.70	1.97
Total Debt/PBDIT	Times	6.60	5.86	5.87
Gross Current Assets (Days)	Days	315	407	270

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

• Default Recognition - https://www.acuite.in/criteria-default.htm
• Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.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
PC/PCFC*	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4
Post Shipment Credit*	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A4

**subject to availability of forex funds.*
**packing credit/PCFC is interchangeable to the limit of Rs.7.20 crore and PSC is interchangeable to the limit of Rs.20.00 crore.*

Contacts

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About Acuité Ratings & Research:

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