

Press Release

Jaipur Jewels Global Limited

D-U-N-S® Number: 87-297-9041

February 05, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 64.50 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 64.50 crore bank facilities of JAIPUR JEWELS GLOBAL LIMITED (JJGL). The outlook is '**Stable**'.

Jaipur Jewels, established as a partnership firm in 1996, changed its constitution in 2012 to Jaipur Jewels Global Limited (JJGL). The company is engaged in the business of processing, trading and export of all kinds of precious and semi-precious stones including diamonds and pearls, Jewellery and ornaments under the brand name 'Jaipur Jewels'. JJGL has two showrooms located at Nepean Sea Road in Mumbai (1700 sq. feet) and Sunder Nagar Market in New Delhi (1100 sq. feet). It also has its own design studio located at grant road in Mumbai (Maharashtra).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

The Naheta family has been engaged in the business of manufacturing gold and Jadau jewelry since 1863. It was originally founded by Mr. Roopchand Naheta and collectively the family has an industry experience of over 150 years. M/s Jaipur Jewels was established by Mr. Subhash Naheta in 1996 as a partnership firm and converted to closely-held public limited company as Jaipur Jewels Global Limited in 2012. The company is currently managed by the seventh generation entrepreneurs, Mr. Amit Naheta and Mr. Vineet Naheta. Backed by the experience, it has been able to maintain long standing relationships with various celebrity clients. This is reflected from steady growth in revenues to Rs.245.02 crore in FY2018 as against Rs.216.48 crore in FY2017 and Rs.198.81 crore in FY2016. Acuité believes the financial risk profile will be supported by the brand existence of Jaipur Jewels over 150 years.

- **Favourable demographic profile**

With increase in per capita income, higher disposable income, increase in urbanisation and increase in number of high net worth individuals (HNIs) have led to increase in demand for luxury products including high end Jewellery.

Weaknesses

- **Susceptibility of the revenue profile to the discretionary spending patterns**

JJGL is in the manufacturing of high end Jewellery ornaments. Most of the clients are HNIs leading to discretionary spending patterns which in turn also depend upon various macro-economic factors amidst intense competition. The entry of larger players such as PC Jewellers, Tribhuvandas Bhimji Zaveri (TBZ) and Tanishq has intensified the competition for existing players including JJGL will have to spend on marketing and brand building in order to sustain the growth in the revenue profile. Also, stringent regulatory norms might impact the revenue profile of the company.

• Working capital intensive operations

JJGL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 163 days in FY2018 compared to 167 days in FY2017. The GCA days are mainly dominated by high inventory days of 118 days in FY2018 compared to 86 days in FY2017. The stretched liquidity position is also reflected through extensive utilisation of its working capital limits at ~99.60 per cent for the last six months ended October 2018. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Average financial risk profile

JJGL has average financial risk profile marked by tangible net worth of Rs. 34.34 crore as on 31 March, 2018 as against Rs. 26.60 crore as on 31 March, 2017. It includes unsecured loan of Rs.11.83 crore as on 31 March, 2018 which is considered as quasi equity. The adjusted gearing (debt to equity) stood at 2.13 times as on March 31, 2018 as against 2.53 times as on March 31, 2017. The debt of around Rs.73.00 crore as on March 31, 2018 consists of working capital borrowing of Rs. 68.00 crore and borrowings from friends and relatives of Rs. 5.00 crore. Interest Coverage Ratio (ICR) stood at 2.04 times in FY2018 as against 1.47 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.56 times as on 31 March, 2018 as against 3.14 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.07 times in FY2018 as against 0.04 times in FY2017. Going forward, Acuite expects the financial risk profile to remain stable on account of absence of significant debt funded capex plans.

Liquidity Profile

JJGL has stretched liquidity marked by high working capital borrowings with utilisation of ~99.60 per cent for the six months ended October 2018. The company maintains unencumbered cash and bank balances of Rs.2.63 crore as on March 31, 2018. The current ratio of the company stood at 1.35 times as on March 31, 2018. Acuite believes that the liquidity profile will be key factor to maintain a stable credit profile.

Outlook: Stable

Acuite believes JJGL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's liquidity position or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	245.02	216.48	198.81
EBITDA	Rs. Cr.	13.96	9.52	7.25
PAT	Rs. Cr.	4.15	1.57	0.51
EBITDA Margin	(%)	5.70	4.40	3.65
PAT Margin	(%)	1.70	0.73	0.26
ROCE	(%)	14.41	10.79	16.29
Total Debt/Tangible Net Worth	Times	2.13	2.53	7.86
PBDIT/Interest	Times	2.04	1.47	1.25
Total Debt/PBDIT	Times	4.80	6.50	9.71
Gross Current Assets (Days)	Days	163	167	178

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>
- 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	^14.50	ACUITE BBB- / Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- / Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	*10.00	ACUITE A3 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3 (Assigned)

^EPC/FSC (sublimit of CC) of Rs. 6.00 crore.

*Post shipment facility of Rs. 10.00 crore with sublimit of pre shipment Rs. 10.00 crore.

Contacts

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About Acuité Ratings & Research:

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