Press Release

Aachal Jewellers

June 19, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** to the Rs. 9.00 crore bank facilities of Aachal Jewellers (AJ). The outlook is **'Stable'**.

AJ is a Mumbai-based proprietorship firm promoted by Mr. Ashish Gokhru. The firm undertakes manufacturing of gold jewellery and ornaments at its processing unit at Zaveri Bazar in Mumbai.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**
  The firm is promoted by Mr. Ashish Gokhru who possesses experience of around 25 years in the jewellery industry. The promoter has been able to forge long term relations with customers and suppliers. The firm has been able to demonstrate significant growth in revenues in the last two years owing to its strong relationship with customers. Operating revenues have grown from Rs.14.62 crore in FY17 to Rs.52.00 crore in FY19 (Provisional).

- **Comfortable working capital cycle**
  Further, the firm maintains comfortable working capital cycle as the same stood at 43 days for FY2019 (Provisional) as against 61 days in FY2018 and 122 days in FY2017. The improvement is on account of better inventory management and faster collection of receivables. Average cash credit utilisation stood at ~80 percent. Acuité believes that with moderate accruals to zero debt obligations, the liquidity continues to be comfortable over the medium term.

Weaknesses

- **Below average financial risk profile**
  The financial risk profile of AJ is healthy marked by low net worth of Rs.1.18 crore as on 31 March, 2018 as compared to Rs.1.23 crore as on 31 March, 2017. Gearing stood comfortable at 3.60 times as on 31 March, 2018 as compared to 3.19 times as on 31 March, 2017. The total debt of Rs.4.23 crore as on 31 March, 2018 consists of interest bearing unsecured loans of Rs.2.33 crore and working capital facility of Rs.1.90 crore. Interest Coverage Ratio stood at 1.33 times for FY 2017-18 as compared to 1.47 times for FY 2016-17. Total outside liabilities to tangible net worth (TOL/TNW) stood at 3.66 times as on 31 March, 2018.

  Acuité believes that the firm's ability to register growth in revenue while maintaining adequate profitability will be the key sensitivity factor.

- **Profitability susceptible to volatility in raw material prices and intense competition**
  AJ's revenues and profitability margins are exposed to volatility in the prices of gold - the major raw material. The gems and jewellery (G&J) industry is characterised by a large number of organised and unorganised players and intense competition. The increasingly stringent regulatory framework applicable to jewellers also has an impact on the margins of the jewellery players.

- **Partnership constitution**
  AJ's financial risk profile is susceptible to inherent risk of capital withdrawal considering the proprietorship constitution of the firm. However, Acuité has not observed any significant withdrawal during the period under study.

Liquidity position:

The firm has moderate liquidity marked by net cash accruals as compared to its maturing debt obligations. AJ has generated cash accruals of Rs.0.12-0.30 crore during the last three years through 2018-19, while the maturing debt obligations were nil over the same period. The cash accruals are estimated to improve and remain around Rs.0.30-0.50 crore during 2020-22, with no repayment obligations. The current ratio stood moderate at 2.64 times as on March 31, 2018. Acuité believes that the liquidity of the firm is likely to remain moderate over the medium term on account of no repayment obligations.

Outlook: Stable

Acuité believes that AJ's outlook will remain 'Stable' as the firm will benefit over the medium term from its experienced management and improving scale of operations. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability, or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.18	14.62	18.57
EBITDA	Rs. Cr.	0.56	0.37	0.28
PAT	Rs. Cr.	0.12	0.11	0.12
EBITDA Margin	(%)	1.79	2.55	1.49
PAT Margin	(%)	0.39	0.78	0.63
ROCE	(%)	10.61	8.44	16.13
Total Debt/Tangible Net Worth	Times	3.60	3.19	1.93
PBDIT/Interest	1.23	1.33	1.47	1.70
Total Debt/PBDIT	Times	7.25	10.48	8.05
Gross Current Assets (Days)	Days	61	122	69

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.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	6.00	ACUITE B+/ Stable
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+/ Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Rishabh Mundada Analyst - Rating Operations Tel: 022-49294051 rishabh.mundada@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.