

## Press Release

### Pooja Exports

June 24, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 564.20 Cr.
<b>Long Term Rating</b>	ACUITE BBB+ / Outlook: Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A2+ (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 564.20 Crore bank facilities of POOJA EXPORTS(PE). The outlook is '**Stable**'.

Mumbai based, Pooja Exports (PE) is a partnership firm established in 1992, engaged in the trading of cut & polished diamonds (CPD). The firm is promoted by Mr. Sunil Kothari and family. The day to day operations are managed by Mr. Sanju Kothari.

### Analytical Approach

Acuité has consolidated the financial and business risk profile of Pooja Exports along with its associate enterprises, Sidds Jewels Private Limited (SJPL), Sidds Jewels LLP (SJL), together referred to as Pooja Group, to arrive at the rating. The consolidation is in the view of common promoters, same line of business and operational synergies. Pooja Exports supplies polished diamonds to SJPL and SJL which in turn manufactures diamond studded jewellery. Extent of Consolidation: Full.

### Key Rating Drivers

#### Strengths

##### Established presence in the industry

The group has its established presence in the Gems & Jewellery business for over two decades. The group is engaged in the trading of Cut and Polished diamonds and also manufacture of diamond studded jewellery. The trading business is undertaken from Pooja Exports and the manufacture of jewellery from SJPL and SJL. The manufacturing facility is located at Seepz, Mumbai.

The group is promoted by Kothari Family, Mr. Sunil Kothari and Mr. Sanju Kothari. The partners have an experience of over four decades in Gems & Jewellery Industry. Mr. Sanju Kothari is a current member of the Diamond Panel of the Gem and Jewellery Export Promotion Council (GJEPC) and also a convener of the Banking, Insurance & Taxation committee (BITC) of the GJEPC.

The group has reputed and diversified customer base with presence across USA, UAE, Hong Kong, Europe among other geographies. The long presence of the group in the Gems & Jewellery business has led to strong relationships with its customers resulting in repeat sales.

Acuité believes the group will continue to benefit from its established presence in the CPD industry, and the promoter's demonstrated ability to sustain a healthy level of operations across various cycles.



### **Moderate financial risk profile**

The financial risk profile of the group is moderate marked by healthy tangible Networth, average debt protection metrics and moderate gearing (Debt-Equity).

The tangible net worth of the group stood at Rs. 416.30 Cr as on March 31, 2019 (Provisional) as against Rs. 380.83 Cr as on March 31, 2018. The gearing (debt-equity) stood at 2.23 times in FY2019 (Provisional) {PY: 2.37 times}. Total debt of the group largely comprises of bill discounting facility outstanding for Rs. 924.48 Cr as on March 2019 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.05 times as on March 31, 2019 (Provisional) as against 3.25 times as on 31 March, 2018. The healthy revenue levels coupled with stable operating margins have resulted in average coverage indicators. Interest Coverage Ratio (ICR) stood moderate at 1.91 times for FY2019 (Provisional) as against 2.33 times for FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.05 times as on March 31, 2019 (Provisional).

Acuité believes that the financial risk profile will continue to remain adequate over the medium to long term due to large scale of operations, moderate debt protection measures and stable profitability.

### **Weaknesses**

#### **Working Capital intensive operations**

The operations of the group are working capital intensive marked by high Gross Current Asset (GCA) of 229 days in FY2019 (Provisional) as compared to 203 days in FY2018. The GCA days are mainly driven by high debtor days of 192 days in FY2019 (Provisional) as compared to 159 days in FY2018. The liquidity challenges are also reflected through extensive utilisation of its working capital limits at ~96.40 per cent for the last six months ended March 2019.

Acuité believes that the group's ability to adequately manage its working capital cycle supported by adequate infusion of funds by the promoters on a timely manner will remain a key rating sensitivity factor.

#### **Operating performance susceptible to discretionary consumer spending in key markets against intensely competitive backdrop**

Around 90% of PE's revenue are generated from exports. The demand for cut and polished diamonds is directly linked to discretionary spending by the clients. Significant continued slowness in CPD market generally results in piling up of inventory or delays in realization of receivables due to challenges faced by the end customers.

The recent instances of delinquencies in the gems and jewellery sector has also impacted the approach of the lenders to this sector. Such events are likely to impact the future credit flow to the sector and the cost of credit. The CPD segment has witnessed intense competition with presence of large and small players. Emergence of new substitutes like lab-grown diamonds is also likely to have a bearing on the demand for CPD's.

Acuité believes the ability to manage steady revenue growth while maintaining profitability and efficiently managing working capital cycle will be the key rating sensitivity factors.

#### **Liquidity Position:**

The group has stretched liquidity marked by high working capital borrowings with utilisation of ~96.04 percent for the six months ended March 2019. High level of utilisation of working capital limits are on account of stretched debtor position as on 31 March 2019. The debtor days have increased to 192 days for FY2019 (Provisional) as against 159 days in the previous year. The company maintains unencumbered cash and bank balances of Rs. 22.00 crore as on March 2019 (Provisional). The current ratio of the company stood moderate at 1.31 times as on March 31, 2019 (Provisional).

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.



### Outlook: Stable

Acuite believes that the Pooja group will maintain a 'Stable' outlook and benefit over the medium term from its experienced management and established Presence in the industry. The outlook may be revised to 'Positive' if the company registers healthy growth in revenues while achieving sustained improvement in Profitability margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in working capital leading to higher reliance on working capital limits and/or deterioration in financial risk profile of the group.

### About the Rated Entity - Key Financials (Consolidated)

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	2627.73	2848.08	2428.67
EBITDA	Rs. Cr.	107.36	94.65	81.75
PAT	Rs. Cr.	38.84	45.92	32.33
EBITDA Margin	(%)	4.09	3.32	3.37
PAT Margin	(%)	1.48	1.61	1.33
ROCE	(%)	8.29	7.65	6.91
Total Debt/Tangible Net Worth	Times	2.23	2.37	2.93
PBDIT/Interest	Times	1.91	2.33	2.18
Total Debt/PBDIT	Times	8.28	9.02	10.89
Gross Current Assets (Days)	Days	229	203	206

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

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>
- Trading entities- <https://www.acuite.in/view-rating-criteria-6.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
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	539.47	ACUITE BBB+/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ (Assigned)
Proposed Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	19.73	ACUITE BBB+/ Stable (Assigned)



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### About Acuité Ratings & Research:

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