

Press Release

Kama Schachter Jewelry Private Limited

August 16, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	125.13	ACUITE BBB- Negative Reaffirmed	-
Bank Loan Ratings	47.77	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	172.90	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **'ACUITE BBB-'** (read as **ACUITE triple B minus**) and the short term rating of **'ACUITE A3'** (read as **ACUITE A three**) on the Rs. 172.90 crore bank facilities of Kama Schachter Jewelry Private Limited (KSPL). The outlook is **'Negative'**.

Rationale for Reaffirmation

The rating reaffirmation takes into account the improvement in operating and financial performance of KSPL. However, the continuing instances of elongation in export bill receivables imparts a negative bias to the rating. KSPL's operating income improved to Rs.634.07 Cr in FY2022 (Prov.) as against Rs. 352.28 Cr in FY2021. The financial risk profile continues to remain average marked by medium gearing and moderate debt protection metrics. Going forward, timely realisation of receivables and improvement in the financial risk profile thereby leading to improvement in the liquidity profile of KSPL will remain a key rating monitorable.

About the Company

Incorporated as private limited company in 1993, Kama Schachter Jewelry Private Limited (KSPL) is based out of Mumbai. The operations were started in 1996. The company is promoted by Mr. Colin Shah, and the Israel-based Leo Schachter group. KSPL is engaged in manufacturing and exports of gold and diamond-studded gold jewellery. The company's manufacturing facility is located at Goregaon and SEEPZ, Mumbai. It also has marketing and sales office at New York. The company caters to domestic as well as export markets.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of KSPL to arrive at this rating.

Key Rating Drivers

Strengths

Established market position, experienced management and reputed clientele

KSPL has established presence since 1996, thus having an operational track record of over two decades in jewellery industry. The company is jointly owned by Mr. Colin Shah and the Israel-based Leo Schachter group. The Leo Schachter group is one of the leading supplier to America's major retail jewelry chains. Mr. Colin Shah is senior member of 'Gem and Jewellery Export Promotion Council' of India and has over two decades of experience in the said industry. The promoters' extensive industry experience and established brand presence has helped the company to establish longstanding relationships with reputed clientele. The company caters to reputed clients like Titan Company limited, Unique Design, Caratlane, GRT jewellers, Senco Gold and diamonds, and Malabar gold to name few. The company benefits from established market position, promoters' extensive industry experience, and established relationships with major jewellery retail chains in domestic as well as international markets for over two decades. KSPL is well supported by its association with the Leo Schachter group in international market and by second line of management with skilled staff.

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

Improved scale of operations

KSPL's operating income improved to Rs.634.07 Cr in FY22(prov.) as against revenue of Rs. 352.28 crore in FY2021 and Rs.469.73 in FY2020. The operating margins stood at 4.92 percent in FY2022(prov.) as against 3.54 percent in FY2021 and 1.99 percent in FY2020. The net margins improved to 0.95 percent in FY2022(prov.) as against (2.78) percent in FY2021 and (1.48) percent in FY2020. The improvement in margins is on account of higher realisations and various cost optimisation measures undertaken by the company, like the implementation of cell concept on the shop floor, which has aided in saving considerable manufacturing time per unit, thus reducing various production related costs per unit like the overtime costs and other labour costs.

Acuite believes that the improvement in scale of operations and margins is sustainable over the medium term on account of various notable steps taken by KSPL to improve its cost efficiencies and overall positive industry outlook.

Weaknesses

Average financial risk profile

KSPL's financial risk profile is moderate marked by its moderate net worth, medium gearing and modest debt protection measures. The net worth increased to Rs. 114.65 crores as on March 31, 2022(prov.) as against Rs. 109.19 crore as on March 31, 2021 and 117.45 as on March 31, 2020. (Includes preference share capital of Rs. 7.50 crore). The company's gearing stood at 1.60 times as on March 31, 2022(prov.) as against 1.45 times in the March 31 2021 and 1.49 times March 31, 2020. The total debt of Rs.182.91 crore as on March 31, 2022(prov.) consists of term loan borrowings of Rs.45.68 crore and short term debt obligations of Rs.137.23 crore. The interest coverage ratio stood at 1.75 times in FY2022(prov.) as against 0.78 times in the previous year 2021 and 0.89 times in FY2020. The NCA to TD ratio stood at 0.07 times for FY2022(prov.) as against (0.03) for FY2021.

Acuite expects the financial risk profile of KSPL's will continue to remain average over the medium term.

Working capital intensive nature of operations

The operations of KSPL are working capital intensive reflected by Gross Current Assets (GCA) of 216 days as on March 31, 2022(Prov.) as against 331 days as on March 31, 2021 and 258 days as on Mach 31, 2020. The GCA days are driven by high inventory days and moderate debtor days. Inventory holding days stood high at 125 days as on March 31, 2022(prov.) as

against 175 days as on March 31, 2021 and 130 days as on March 31, 2020. The debtor days stood at 78 days as on March 31, 2022(prov.) as against 152 days as on March 31, 2021 and 129 days as on March 31, 2020. Working capital requirement is funded through bank lines, the average utilisation of bank facilities is 78.3 percent for fifteen months ended as on June 2022

Rating Sensitivities

- Timely realisation of export bill receivables, elongation in working capital cycle and further stretch in liquidity profile.
- Increase in debt levels resulting in deterioration in financial risk profile and coverage indicators.

Material covenants

None

Liquidity Position: Stretched

KSPL has a stretched liquidity profile marked by instances of elongation in realisation of export bills receivables and moderate bank limit utilization. KSPL generated cash accruals of Rs.12.64 crores during the period FY2021-22 as against debt obligations of Rs.3.49 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.15.00-21.00 crore during FY2023-24 against repayment obligations ranging from Rs.9.00 crore to Rs.13.27 crore for the same period. The average utilisation of bank facilities is 78.3 percent for fifteen months ended as on June 2022. The GCA days stood at 216 days as on March 31, 2022 (Prov.). The current ratio of the Company stood at 1.33 times respectively as on March 31, 2022(prov.). Acuite expects the liquidity position of KSPL to remain stretched over the medium term due to elongated working capital cycle.

Outlook : Negative

Acuite has reaffirmed the 'Negative' outlook on account of continuing instances of elongation in export bills receivables and stretch in liquidity profile providing limited financial flexibility. The outlook may be revised to 'Stable' in case the company demonstrates a track record of timely export bill realisations on a sustainable basis, thereby improving the overall liquidity profile. Conversely, the rating may be downgraded in case further intensification of liquidity pressures is visible over the near to medium term or any significant stretch in its working capital cycle leading to further deterioration in the financial risk profile of KSPL.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	634.07	352.28
PAT	Rs. Cr.	6.02	(9.78)
PAT Margin	(%)	0.95	(2.78)
Total Debt/Tangible Net Worth	Times	1.60	1.45
PBDIT/Interest	Times	1.75	0.78

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 May 2021	Packing Credit	Long Term	7.08	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	4.85	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	6.90	ACUITE BBB- Negative (Reaffirmed)
	Post Shipment Credit	Short Term	13.60	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	2.90	ACUITE BBB- Negative (Reaffirmed)
	Post Shipment Credit	Short Term	12.00	ACUITE A3 (Reaffirmed)
	Packing Credit	Long Term	12.00	ACUITE BBB- Negative (Reaffirmed)
	Packing Credit	Long Term	42.90	ACUITE BBB- Negative (Reaffirmed)
	Post Shipment Credit	Short Term	22.17	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	48.50	ACUITE BBB- Negative (Reaffirmed)
20 Mar 2020	Term Loan	Long Term	6.90	ACUITE BBB- Stable (Assigned)
	Post Shipment Credit	Short Term	4.92	ACUITE A3 (Assigned)
	Cash Credit	Long Term	59.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Packing Credit	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Post Shipment Credit	Short Term	27.00	ACUITE A3 (Assigned)
	Packing Credit	Long Term	51.50	ACUITE BBB- Stable (Assigned)
	Post Shipment Credit	Short Term	18.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Post Shipment Credit	Short Term	17.25	ACUITE A3 (Assigned)
	Packing Credit	Long Term	7.33	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.85	ACUITE BBB- Negative Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	48.50	ACUITE BBB- Negative Reaffirmed
Bank of India	Not Applicable	Metal Loan	Not Applicable	Not Applicable	Not Applicable	6.90	ACUITE BBB- Negative Reaffirmed
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB- Negative Reaffirmed
Axis Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	7.08	ACUITE BBB- Negative Reaffirmed
HDFC Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	42.90	ACUITE BBB- Negative Reaffirmed
Axis Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	13.60	ACUITE A3 Reaffirmed
Indusind Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	22.17	ACUITE A3 Reaffirmed
Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.90	ACUITE BBB- Negative Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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