

Press Release
Touchstone Fine Jewellery

November 04, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	-	ACUITE A4+ Reaffirmed
Bank Loan Ratings	16.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	28.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the short term rating of ACUITE A4+ (read as ACUITE A four plus) on the bank facilities of Rs. 28 crore of Touchstone Fine Jewellery (TFJ).

Rationale for reaffirmation

The rating reaffirmation factors in the sustenance of improved operating performance of the firm, marked by increase in operating income and stable operating margins. The firm closed the year FY2022 at revenue of Rs.106.46 crore, improved from Rs. 81.67 Cr in 9MFY2022 and Rs.33.90 Cr in FY2021. This growth is majorly on account of healthy recovery in demand in the gems and jewellery sector, primarily in the US market, post the re-opening of economies after the covid-19 pandemic. The firm exports 97.42 percent of its total sales primarily to the US market. Further, its revenue stood at Rs. 67.38 crore for the period H1FY2023. The operating profit margin stood at 7.53% for FY2022 as against 6.10% for FY2021. However, the rating remains constrained by moderate financial risk profile and working capital intensive nature of operation of the firm.

About the Company

Mumbai-based, TFJ was established as a partnership firm in 2013. The firm is engaged in manufacturing and exporting of studded jewellery. The firm is promoted by Mr. Apoorva S Mehta, Mr. Malay L Mody and Mr. Siraj B Saraiya who have over two decades of experience in the jewellery industry.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of TFJ to arrive at the rating.

Key Rating Drivers

Strengths

Experience of promoters and established track record of operations

TFJ is promoted by Mr. Apoorva S Mehta, Mr. Malay L Mody and Mr. Siraj B Saraiya, each of whom has an average industry experience of over two decades. The extensive experience of the promoters has enabled the firm to forge healthy relationships with its exports customers and domestic suppliers. Out of the total sales during FY2022, the export business constituted 97.41% of the total revenue and domestic sales constituted 2.59% of the total revenue. Majority of the export sales are made to the US market.

Acuité believes that the business risk profile of the firm is expected to benefit from its established track record of operations and the promoter's experience in the aforementioned industry.

Weaknesses

Below Average Financial Risk Profile

The firm has a moderate financial risk profile marked by moderate tangible net worth of Rs.6.48 crore as on 31 March 2022 as against Rs.2.94 crore as on 31 March 2021. The gearing level of the company improved yet remain high as it stood at 3.12 times as on 31 March, 2022 as against 5.55 times same period last year. The high gearing level is majorly on account of low net worth firm. The debt of the firm stood at Rs.20.21 crore as on 31 March 2022 which consists of working capital borrowings of Rs.11.21 crore and unsecured loans from directors / promoters stood of Rs.6.13 crore during the same period. The coverage ratios of the firm have improved in FY2022. The interest coverage ratio stood at 4.93 times for FY2022 as against 1.73 times for FY2021. The DSCR stood at 3.55 times for FY2022 as against 1.53 times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) improved yet remained high at 4.98 times as on March 31, 2022 as against 7.18 times as on March 31, 2021. Also, the debt to EBITDA of the company stood high at 2.46 times for FY2022 compared against 7.21 times for FY2021.

Acuité believes that the financial risk profile of the firm is expected to remain moderate over the medium term on account of low net worth and no major debt-funded capital expenditure.

Working Capital Intensive Nature of Operations

The operations of the firm are of working capital-intensive nature marked by moderate GCA days of 97 days for FY2022 as against 180 days for FY2021. The improvement in GCA days is majorly on account of reduced debtor days which stood at 67 days for FY2022 as against 136 days for FY2021. The inventory levels stood at 32 days for FY2022 as against 45 days for FY2021. The inventory days is low as the firm starts procuring ~80 percent of the inventory against orders from customers. Further, the creditor days stood at 44 days for FY2022 as against 65 days for FY2021. The working capital intensive nature of operations led to an average bank limit utilization of ~82.54 percent in last eight months ended September' 2022.

Inherent risk of capital withdrawal in a partnership firm

The Firm is susceptible to the inherent risk of capital withdrawal given its constitution as a partnership. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

Improvement in the operating revenue and scale of operations while sustaining the margins. Any stretch in working capital operations leading to deterioration of its financial risk profile and liquidity.

Material covenants

None

Liquidity Position

Adequate

The firm has adequate liquidity position supported by adequate net cash accruals against negligible maturing debt obligations. The firm generated cash accruals of Rs.4.24 crore in FY2022 against no maturing debt obligations. The cash accruals of the firm are estimated to remain around Rs.4.81-5.41 crore during FY2023-24 period against negligible maturing debt obligations for the same period. The GCA days of the firm stood at 97 days as on March 31, 2022. The working capital-intensive nature of operations led to an average bank limit utilization of ~82.54 percent in last eight months ended September' 2022. The current ratio of the firm stood at 1.41 times as on March 31, 2022.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	106.46	33.90
PAT	Rs. Cr.	4.00	0.54
PAT Margin	(%)	3.76	1.61
Total Debt/Tangible Net Worth	Times	3.12	5.55
PBDIT/Interest	Times	4.93	1.73

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

CARE, vide its press release dated September 30, 2021 had denoted the rating of TOUCHSTONE FINE JEWELLERY as 'CARE B-/Stable/CARE A4; ISSUER NOT CO-OPERATING' on account of lack of adequate information required for monitoring the ratings.

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>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Mar 2022	Bills Discounting	Short Term	12.00	ACUITE A4+ (Upgraded from ACUITE A4)
01 Nov 2021	Bills Discounting	Short Term	12.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
25 Aug 2020	Bills Discounting	Short Term	12.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ Assigned

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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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