

Press Release
TOUCHSTONE FINE JEWELLERY
January 30, 2024
Rating Reaffirmed



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

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 sustained improvement recorded in the operating revenues of the firm which stood at, Rs.140.05 crore in FY2023 as against Rs.106.46 crore in FY2022. This growth is majorly on account of healthy recovery of demand in the gems and jewellery sector, primarily in the US market. The firm makes ~95 percent of its exports to the US market. Further, its revenue stood at Rs. 86.25 crore as of 17th January 2024. However, the operating profit margin moderated to 5.10% in FY2023 as against 7.53% in FY2022. Further, the rating remains constrained due to the below average financial risk profile and moderately intensive working capital operations 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.

Unsupported Rating

Not Applicable

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 export's customers and domestic suppliers. Out of the total sales during FY2023, the export business constituted ~87% of the total revenue and domestic sales constituted the remaining ~13% of the total revenue. Majority of the export sales are made to the US market.

Acuite 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 below average financial risk profile marked by low net worth, high gearing and moderate debt protection metrics. The tangible net worth stood at Rs.8.61 crore as on 31 March 2023 as against Rs.6.48 crore as on 31 March 2022. The gearing level of the company improved yet remain high stood at 3.00 times as on 31 March, 2023 as against 3.12 times as on 31 March, 2022. The debt of the firm stood at Rs.25.83 crore as on 31 March 2023 which consists of short-term debt of Rs.17.25 crore, long-term debt of Rs.2.36 crore and unsecured loans from directors / promoters stood of Rs.6.22 crore during the same period. The interest coverage ratio stood at 2.30 times for FY2023 as against 4.93 times for FY2022. The DSCR stood at 1.62 times for FY2023 as against 3.55 times for FY2022. The total outside liabilities to tangible net worth (TOL/TNW) remained high at 4.88 times as on March 31, 2023 as against 4.98 times as on March 31, 2022. Also, the debt to EBITDA of the company stood high at 3.46 times for FY2023 compared against 2.46 times for FY2022.

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

Moderately intensive nature of working capital operations

The firm's working capital operations are moderately-intensive in nature marked by moderate GCA days of 98 days for FY2023 as against 97 days for FY2022. The debtor days stood at 70 days for FY2023 as against 67 days for FY2022. The firm offers a credit period of 90-120 days to its customers. The inventory levels stood at 29 days for FY2023 as against 32 days for FY2022. The inventory days is low as the firm procures ~80 percent of the inventory against orders from customers. Further, the creditor days stood at 49 days for FY2023 as against 44 days for FY2022. Generally, the average credit period allowed by suppliers is 90 days. The working capital intensive nature of operations led to an average bank limit utilization of ~82.55 percent in last eight months ended November' 2023.

Acuité believes that the working capital operations will remain moderately intensive in nature over the near to medium term.

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.

Liquidity Position

Adequate

The firm has adequate liquidity position, supported by adequate net cash accruals against negligible maturing debt obligations. The firm generated net cash accruals in the range of Rs.0.70-4.24 Crore against the maturity debt obligations of Rs.0.51-0.70 crore from FY 2021- 2023. In addition, it is expected to generate sufficient cash accrual in the range of Rs.2.49-3.36 crore against the maturity debt obligations ranging from Rs.0.44-0.95 crore over the medium term. The GCA days of the firm stood at 98 days as on March 31, 2023. The moderately intensive working capital- operations led to an average bank limit utilization of ~82.55 percent in last eight months ended November' 2023. The current ratio of the firm stood at 1.32 times as on March 31, 2023 as against 1.41 times as on March 31, 2022.

Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accruals against its repayment obligations, no capex plans, though remain partly constrained due to high reliance on working capital requirements.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	140.05	106.46
PAT	Rs. Cr.	2.53	4.00
PAT Margin	(%)	1.81	3.76
Total Debt/Tangible Net Worth	Times	3.00	3.12
PBDIT/Interest	Times	2.30	4.93

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>

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
04 Nov 2022	Proposed Bank Facility	Short Term	10.00	ACUITE A4+ (Assigned)
	Bills Discounting	Short Term	12.00	ACUITE A4+ (Reaffirmed)
	Bills Discounting	Short Term	6.00	ACUITE A4+ (Assigned)
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*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A4+ 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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