

Press Release

Pooja Diam LLP (Erstwhile Pooja Exports)

Rating Reaffirmed and Outlook revised



Total Bank Facilities Rated*	Rs. 564.20 Cr.
Long Term Rating	ACUITE BBB+/Outlook: Negative (Reaffirmed and outlook revised)
Short Term Rating	ACUITE A2+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 564.20 crore bank facilities of Pooja Diam LLP (Erstwhile Pooja Exports). The outlook is revised to '**Negative**' from '**Stable**'.

Revision in Outlook

The revision in outlook is on account of expected deterioration in operating performance vis-à-vis historical trends on account of tepid market conditions and the impact of the pandemic on all players across Gems and Jewelry Industry. The revision also reflects sluggish demand due to discretionary consumer spending in key markets and elongation in receivables coupled with reduced financial flexibility on account of limited working capital finance. Also, operations were affected due to the change of name and constitution. The rating reaffirmation takes into account experienced management, established track record of operations, reputed clientele and diversified product range. However, time taken to recover export receivables in the second half of fiscal 2021 and domestic operations will remain key monitorable.

About Company

Pooja Diam LLP (erstwhile Pooja Exports) is a Mumbai based limited liability partnership firm established in 1992. The constitution has been recently changed to Limited Liability Partnership (LLP) from partnership firm as on September, 2019. The firm is engaged in the trading of cut and 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

Acuite has consolidated the financial and business risk profile of Pooja Diam LLP (erstwhile 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, the 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

- Experienced promoters and 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 the 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 continues to remain moderate marked by high net worth, moderate gearing and debt protection measures. The Tangible net worth stood at Rs. 460.62 crores as on 31 March 2020 (Provisional) as against Rs. 415.66 crore as on 31 March, 2019 and Rs. 380.83 crore as on 31 March, 2018. The improvement in net worth is attributable to healthy accretion to reserves over the period. The gearing stood moderate at 2.17 times as on 31 March 2020 (Provisional) as against 2.24 times as on 31 March, 2019 and 2.37 times as on 31 March, 2018. The total borrowings of Rs 1,000.85 crore as on 31 March, 2020 (Provisional) comprises of short term borrowings of Rs. 1,000.32 crores, term loan of Rs. 0.11 crores and Rs. 0.42 crores of unsecured loans from directors. The net cash accruals stood at Rs. 47.25 crore for FY2020 (Provisional) as against no major debt repayment. The interest coverage ratio (ICR) stood at 2.05 times in FY2020 (Provisional) as against 1.89 times in FY2019 and 2.33 times in FY2018. The total outside liabilities to tangible net worth stood at 3.19 times as on 31 March 2020 (Provisional) as against 3.04 times as on 31 March, 2019. Acuité believes that the financial risk profile will continue to remain moderate 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 261 days in FY2020 (Provisional) as compared to 228 days in FY2019. The GCA days are mainly dominated by receivables period of 213 days in FY2020 (Provisional) as against 192 days in FY2019 and 159 days in FY2018. The inventory holding period has increased to 39 days in FY2020 (Provisional) as against 29 days in FY2019. The elongation is mainly on account of nationwide lockdown and elongation in receivables. The working capital cycle is high owing to the inherent nature of the industry. However, the company reliance is higher on bank limit utilisation which stood at ~ 92.94 percent for the last six months ended as on September 2020. 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, slowdown due to pandemic and intensely competitive industry**

The group derives its revenues mainly through 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 same is visible due to pandemic, sluggish demand and realization in industry. The operating performance of players like Pooja group were severely impacted in the first two quarters of FY2021. The recent instances of delinquencies in the gems and jewellery sector have 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 the presence of large and small players. The emergence of new substitutes like lab-grown diamonds is also likely to have a bearing on the demand for CPD's. Also, the industry is likely to witness fall by 25 to 30 percent due to slowdown in demand and import restrictions in the current fiscal. 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.

Rating Sensitivities

- Sustaining existing business and financial risk profile
- Stretch in liquidity due to elongation of receivables
- Maintains existing profitability margins

Liquidity Position: Adequate

The group maintains adequate liquidity position marked by net cash accruals of Rs. 41.00 to 49.30 crore for last three years ending FY2020 against debt repayment of ~Rs. 2.00-2.50 crore over the same period. The current ratio of the group stood at 1.29 times as on March 31, 2020 (Provisional). The group maintains unencumbered cash and bank balances of Rs. 41.84 crore as on March 31, 2020 (Provisional). The operations of the group are working capital intensive marked by high Gross Current Asset (GCA) of 261 days in FY2020 (Provisional) as compared to 228 days in FY2019. NCA/TD stood at 0.05 times as on 31st March, 2020 (Provisional) and 0.04 times in the previous year. The group reliance is higher on bank limits which stood utilised at ~ 95.92 percent for the last six months ended as on September 2020. Acuite believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Outlook: Negative

Acuite has revised the outlook of Pooja group revised to 'Negative' from 'Stable' on account of expected deterioration in operating performance, tepid market conditions and elongation in receivables. However, the group will benefit over the medium term from its experienced promoters and established Presence in the industry. The outlook may be revised to 'Stable' if the group is able to sustain its operating performance while achieving sustained improvement in Profitability margins, capital structure and working capital management. Conversely, the rating may be downgraded in case of further deterioration in working capital leading to higher reliance on working capital limits and/or deterioration in the financial risk profile of the group.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	2638.73	2627.46
PAT	Rs. Cr.	44.40	37.84
PAT Margin	(%)	1.68	1.44
Total Debt/Tangible Net Worth	Times	2.17	2.24
PBDIT/Interest	Times	2.05	1.89

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

None

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24- Jun-2019	Post Shipment Credit	Long Term	539.47	ACUITE BBB+/ Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A2+ (Assigned)
	Proposed Post Shipment Credit	Long Term	19.73	ACUITE BBB+/ Stable (Assigned)

*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	559.20	ACUITE BBB+/Negative (Reaffirmed, outlook revised)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ (Reaffirmed)

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About Acuité Ratings & Research:

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