

Press Release
Tanvirkumar And Co

May 04, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.70	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	48.80	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	64.50	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.64.50 Cr. bank facilities of Tanvirkumar & Co. The outlook is '**Stable**'.

Rationale for rating

The rating assigned takes into account the firm's established track record of operation and vast experience of the promoters in the diamond industry. Further, the rating factors in the improvement in scale of operations Y-o-Y with a revenue recorded at FY 23 (Prov) of Rs 247.68 Cr against Rs 192.4 Cr in FY 22 and Rs 100.53 Cr in FY 21. However, the above mentioned strengths are partly offset by working capital intensive nature of operations majorly due to elongated realizations. Further, the financial risk profile of the firm remains average and is susceptible to any regulatory framework.

About the Company

Tanvirkumar and Co incorporated in 1976 is based in Andheri, Mumbai. The manufacturing unit is also located in MIDC, Andheri East, Mumbai. The company is engaged in Trading in Cut & Polished Diamonds and Manufacturing of Studded diamond & Gold Jewellery. The company is currently managed by Mr. Mihir Kamlesh Jhaveri, Mr. Milan Tanvir Chokshi, Mr. Nailesh Kirtilal Choksi and Mr. Shanay Nailesh Chokshi.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Tanvirkumar & Co. to arrive at the rating.

Key Rating Drivers

Strengths

Established business and reputed clientele in the Diamond Industry

Tanvirkumar & Co; formerly known as milan jewellers has been in operation as a partnership firm since 1976. The firm is engaged in manufacturing and trading of polished diamonds and studded diamond & gold jewellery through its retail outlet; under the brand Moksh. The family has been into this business for over four decades and the average industry experience of the

partners is around 20 years. The firm was set up by Mr. Tanvir Kirtilal Chokshi and Mr. Kamlesh Jhaveri. Currently, Mr. Milan Choksi, Mr Mihir Jhaveri, Mr Shanay Choksi, and Mr Nilesh Choksi are the key partners. The key clientele for Tanvirkumar & Co are Tanishq, TBZ, Caratlane etc. Acuite believes that firm will continue to benefit from its established presence and track record along with a healthy relationship with reputed clienteles.

Improvement in scale of operations

The firm is engaged in trading and manufacturing of polished diamonds and diamond studded jewellery. The firm deals with renowned jewellery brands and also operates its own brand "Moksh". Tanvirkumar & Co. generated a revenue of Rs. 192.4 crore in FY22 as against Rs. 100.53 crore in FY21; registering a growth of 91.38% YoY. The revenue primarily increased due to the increased demand in diamond industry post pandemic; crossing the pandemic revenue hurdle. Operating margin of the firm declined further to 2.29% in FY22 as against 4.50% in FY21; primarily due to increase in cost of diamonds. The PAT margin of the firm stood at 0.3% in FY22 as against 0.29% in FY21. Further, the company has generated revenue of Rs.247.68 crores for FY23(Prov) and operating profit margin of 3.13% for FY23(Prov).

Acuite believes that scale of operations of the firm may continue to improve in medium term backed by its association with reputed clientele and more focus in jewellery business.

Weaknesses

Working Capital intensive operations

The operations of the firm are working capital intensive in nature marked by reducing yet high GCA days of 250 days in FY22 as against 459 days in FY21. The high GCA days are on account of high inventory days of 103 days in FY22 as against 248 days in FY21 and high debtor days of 141 days in FY22 as against 207 days in FY21. The creditor days improved to 82 days in FY22 as against 182 days in FY21. The firm's reliance on working capital borrowings is on higher side marked by an average utilization of ~99 percent during the last twelve months period ended March'23.

Acuite believes that working capital operations of the firm may continue to remain intensive considering the nature of industry wherein receivables are generally elongated.

Average Financial Risk Profile

Tanvirkumar & Co. has average financial risk profile marked by tangible net worth of Rs.35.73 crore as on 31 March, 2022 as against Rs.35.08 crore as on 31 March, 2021. The company follows a moderate leverage policy as reflected in its gearing level of 1.7 times as on 31 March, 2022 as against 1.56 times as on 31 March, 2021. The total debt outstanding of Rs.60.77 crore consists of working capital borrowings of Rs. 47.02 crore, unsecured loan from promoters of Rs. 3.75 crore and Covid term loan obligations of Rs.10.01 crore as on 31 March, 2022. The coverage ratios of the company improved marginally with Interest Coverage Ratio (ICR) of 1.48 times for FY22 against 1.28 times for FY21. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.36 times for FY22 as against 1.25 times for FY21. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 2.86 times as on March 31, 2022 as against 2.87 times as on March 31, 2021. Further, Net Cash Accruals to Total Debt (NCA/TD) stood low at just 0.02 times for FY22 as against 0.02 times for FY21.

Acuite believes that financial risk profile may continue to remain average with higher reliance on bank borrowings coupled by low margins.

Rating Sensitivities

Ability to improve its scale of operations along with profitability

Any further elongation in its working capital cycle leading to further stretch in liquidity.

Material covenants

None

Liquidity Position Stretched

Tanvirkumar & Co has stretched liquidity position marked by net cash accruals of Rs. 1.16 crores as against no debt obligations for FY22. The cash accruals of the firm are estimated to increase to Rs.2.6-4.5 crore during 2023-25 period while maturing debt obligations in the range of Rs.3-3.20 crore during the same period. The company reliance on working capital

borrowings is on higher side marked by high utilization of ~99 percent during the last twelve months period ended March '23. Furthermore, the company maintains cash and bank balances of Rs.0.75 crore as on March 31, 2022 and the current ratio also stood at 1.49 times as on March 31, 2022.

Outlook: Stable

Acuité believes that Tanvirkumar & Co will maintain a 'Stable' outlook in the near to medium term on account of its extensive management experience and established track record of operations. The outlook may be revised to 'Positive' if the company registers higher-than expected growth in revenues, profitability margins and net cash accruals while maintaining/improving its debt protection metrics and financial risk profile. The outlook may be revised to 'Negative' in case the company registers substantial decline in revenues or profitability margins or if the financial risk profile deteriorates due to higher than expected working capital requirements resulting in deterioration of the capital structure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	192.40	100.53
PAT	Rs. Cr.	0.59	0.29
PAT Margin	(%)	0.30	0.29
Total Debt/Tangible Net Worth	Times	1.70	1.56
PBDIT/Interest	Times	1.48	1.28

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.10	ACUITE BB- Stable Assigned
Union Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	9.95	ACUITE BB- Stable Assigned
Union Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	48.80	ACUITE A4 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.65	ACUITE BB- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Soham Vaidya Analyst-Rating Operations Tel: 022-49294065 soham.vaidya@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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