

Press Release
Tanvirkumar And Co
April 08, 2024
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.20	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	48.30	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	64.50	-	-

Rating Rationale

Acuite has reaffirmed 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 crore bank facilities of Tanvirkumar and Co. The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmed takes into account the firm's established track record of almost 4 decades in this line of business along with experienced 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 of Rs 249.25 Cr. against Rs 192.4 Cr. in FY 22 and Rs 100.53 Cr. in FY 21. However, the rating is constrained by average financial risk profile and stretched liquidity position of the firm with high reliance on short term bank borrowings with an average utilisation of 95-99% for last 12 months ended February 2024. Also, the firm operates with a working capital-intensive nature marked by high GCA days of 224 in FY23 and higher receivable cycle. The revenue achieved till February 2024 is Rs 234.56 Cr.

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 firm is engaged in Trading in Cut & Polished Diamonds and Manufacturing of Studded diamond & Gold Jewellery. The firm is currently managed by Mr. Mihir Kamlesh Jhaveri, Mr. Milan Tanvir Chokshi, Mr. Nailesh Kirtilal Choksi and Mr. Shanay Nailesh Chokshi.

Unsupported Rating

Not Applicable

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

Tanvirkumar & Co. 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". The firm generated a revenue of Rs. 249.25 crore in FY23 as against Rs. 192.4 crore in FY22; registering a growth of 29.55% 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 improved to 3.04% in FY23 as against 2.29% in FY22. The PAT margin of the firm stood at 0.78% as against 0.3% in FY22. Further, the firm has generated revenue of Rs.234.53 crores, operating margin of 3.73% and PAT margin of 0.91% upto February 2024.

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 224 days in FY23 as against 250 days in FY22 and 459 days in FY21. The inventory days stand at 107 days in FY23 as against 103 days in FY22 and the debtor days stand at 112 days in FY23 as against 141 days in FY22. The creditor days increased to 105 days in FY23 as against 82 days in FY22. The firm's reliance on working capital borrowings is on a higher side marked by high utilization of working capital limits at 95-99 percent during the last twelve months period ended February 2024.

Acuite believes the firm's ability to restrict further elongation in working capital cycle will be a key rating sensitivity.

Average Financial Risk Profile

Tanvirkumar & Co. has average financial risk profile marked by tangible net worth of Rs. 34.95 crore as on FY23 as against Rs.35.73 crore as on FY22. The firm follows a moderate leverage policy as reflected in its gearing level of 1.76 times as on FY23 as against 1.70 times as on FY22. The total debt outstanding of Rs.61.57 crore consists of working capital borrowings of Rs. 47.45 crore, unsecured loan from promoters of Rs. 6.19 crore and Covid term loan obligations of Rs. 7.93 crore as on FY23. The coverage ratios of the firm improved marginally with Interest Coverage Ratio (ICR) of 1.85 times for FY23 against 1.48 times for FY22. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.60 times for FY23 as against 1.36 times for FY22. In medium term DSCR is expected to be around 1 time. The total outside liabilities to tangible net worth (TOL/TNW) of the firm stood at 3.63 times as on FY23 as against 2.86 times as on FY22. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.04 times for FY23 as against 0.02 times for FY22.

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.

Liquidity Position

Stretched

Tanvirkumar & Co has stretched liquidity position marked by high utilization of working capital limits of 95-99 percent during the last twelve months period ended February'24. However, the net cash accruals are Rs. 2.51 crores as against debt obligations of Rs. 2.08 crore for FY23. In addition, it is expected to generate sufficient cash accrual in the range of Rs. 3.3-3.6 crore against the maturing repayment obligations of Rs. 1-4 crore over the medium term. Furthermore, the firm maintains cash and bank balances of Rs.0.30 crore as on March 31, 2023, and the current ratio also stood at 1.34 times as on FY23, as against 1.49 times as on FY22.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	249.25	192.40
PAT	Rs. Cr.	1.95	0.59
PAT Margin	(%)	0.78	0.30
Total Debt/Tangible Net Worth	Times	1.76	1.70
PBDIT/Interest	Times	1.85	1.48

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 Entitie: <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, 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 May 2023	Cash Credit	Long Term	1.10	ACUITE BB- Stable (Assigned)
	Covid Emergency Line.	Long Term	9.95	ACUITE BB- Stable (Assigned)
	Post Shipment Credit	Short Term	48.80	ACUITE A4 (Assigned)
	Proposed Long Term Bank Facility	Long Term	4.65	ACUITE BB- Stable (Assigned)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.10	ACUITE BB- Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2025	Simple	7.93	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	42.00	ACUITE A4 Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.30	ACUITE A4 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.67	ACUITE BB- Stable 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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