## Press Release

**PRISM ENTERPRISES PRIVATE LIMITED**
**June 29, 2023**
**Rating Assigned**

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|---|---|---|
| **Bank Loan Ratings** | 109.00 | ACUITE BB+ \| Stable \| Assigned | - |
| **Bank Loan Ratings** | 1.00 | - | ACUITE A4+ \| Assigned |
| **Total Outstanding Quantum (Rs. Cr)** | 110.00 | - | - |

## Rating Rationale

Acuité has assigned the long-term rating of **'ACUITE BB+' (read as ACUITE double B plus)** and the short-term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.110.00 Cr. bank facilities of Prism Enterprises Private Limited (PEPL). The outlook is **'Stable'**.

### Rationale for rating assigned

The rating assigned takes into account improvement in PEPL's operating performance in FY2023 (Provisional) as against FY2022 and FY2021 and its moderate financial risk profile. It also draws comfort from the company's experienced management with an established track record of operations and its reputed clientele. The rating is however constrained by the company's working capital-intensive operations, high bank limit utilisation, intense competition and susceptibility of profitability margins to volatility in raw material prices. Going forward, ability of the PEPL to maintain a consistent operating performance while improving and maintaining an efficient working capital cycle will remain a key rating sensitivity factor.

## About the Company

PEPL incorporated in the year 1999 is engaged in designing, manufacturing and exporting of diamond-studded gold and platinum jewellery. The product profile majorly includes bangles, bracelets and necklaces. It has two manufacturing units in Mumbai at Lower Parel & Andheri. Apart from manufacturing diamond-studded gold and platinum jewellery, the company also trades in cut and polished diamonds.

## Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of PEPL to arrive at the rating.

## Key Rating Drivers

### Strengths

**Experienced management with an established t rack record of operations and reputed clientele**

PEPL has an operational track record of over two decades. It is promoted by Mr. Jitendra K. Bhansali who ventured into the diamond business since 1963 through his entity J.K. Bhansali & Co (JKBC). He is supported by his son Mr. Nirav J. Bhansali who has earlier looked after the manufacturing of rough diamonds in JKBC and since 2001, he ventured into starting the jewellery business through his jewellery elite 'Prism' which has an established presence today within the domestic as well as international market as a leading Indian jewellery manufacturer. The promoters are being supported by its team of experienced professionals in managing day to day operations of PEPL. The extensive experience of the promoters has enabled PEPL to establish a healthy relationship with its reputed clienteles like Titan Company Ltd., Orra Fine Jewellery Pvt. Ltd., P N Gadgil Jewellers Pvt. Ltd., Kalyan Jewellers India Pvt. Ltd. amongst others from whom they receive repetitive orders. In addition to this, the company is also an authorised manufacturer of premium jewellery collections such as De-Beers, Forever Mark, Platinum Guild India, Titan Zoya amongst others.

Acuité believes that PEPL will continue to benefit from its experienced management with an established track record of operations and its reputed clientele.

**Moderate financial risk profile**

Financial risk profile of PEPL is moderate marked by moderate networth, moderate gearing and average debt protection metrics. The tangible net worth of the company stood improved at Rs.79 Cr as on 31 March, 2023 (Provisional) as against Rs.74 Cr as on 31 March, 2022 and Rs.72 Cr as on 31 March, 2021. It also includes the amount of Rs.40 Cr as quasi equity since the unsecured loans from directors infused into the business are subordinated to bank borrowings. The gearing (debt-equity) stood improved at 1.47 times as on 31 March, 2023 (Provisional) as against 1.60 times as on 31 March, 2022 and 1.44 times as on 31 March, 2021. The gearing of the company is expected to improve further and remain low over the medium term in absence of any debt funded capex plans. The total debt of Rs.116 Cr as on 31 March, 2023 (Provisional) consists of long term bank borrowings of Rs.10 Cr, unsecured loans from directors of Rs.4 Cr and short term bank borrowings of Rs.102 Cr.

The interest coverage ratio stood improved at 1.64 times for FY2023 (Provisional) as against 1.49 times for FY2022 and 0.88 times for FY2021 whereas the DSCR stood declined at 1.20 times for FY2023 (Provisional) as against 1.45 times for FY2022 whereas it stood improved as against 0.94 times for FY2021. The Net Cash Accruals to Total debt stood at 0.06 times for FY2023 (Provisional) as against 0.04 times for FY2022 and (0.01) times for FY2021. The Total outside liabilities to Tangible networth stood improved at 1.84 times for FY2023 (Provisional) as against 1.98 times for FY2022 whereas it stood high as against 1.72 times for FY2021. The Debt-EBITDA ratio though improved over the years, it remained significantly high at 5.75 times for FY2023 (Provisional) as against 7.35 times for FY2022 and 12.02 times for FY2021.

Acuité believes that the financial risk profile of PEPL is expected to remain moderate over the medium term due to its moderate debt levels vis-à-vis moderate tangible net worth and average debt protection metrics.

**Improved operating performance**

PEPL reported an increase in its revenue of Rs.307 Cr for FY2023 (Provisional) as against Rs.253 Cr for FY2022 and Rs.141.22 Cr for FY2021 due to an increase in the orders received during the year for manufacturing wide range of bangles, bracelets & necklaces in diamond studded gold and platinum jewellery. Nearly 60 percent of company's revenue is generated from the sale of diamond studded gold jewellery, while the remaining 40 percent is generated through the sale of diamond studded platinum and solitaire jewellery.

Despite of increase in the overall operating cost, the company maintained a similar trend in its operating margin of 6.00 percent during FY2023 (Provisional) and FY2022 which stood improved as against 5.45 percent in FY2021 whereas the net profit margin of the company stood improved at 1.43 percent in FY2023 (Provisional) as against 1.08 percent in FY2022 and (1.81) percent in FY2021 despite of increase in the interest cost during the year.

Acuité believes that ability of PEPL to maintain its scale of operations and profitability will remain a key rating sensitivity factor.

## Weaknesses

**Working capital intensive nature of operations**

The working capital operations of PEPL are highly intensive marked by its Gross Current Assets (GCA) of 246 days for FY2023 (Provisional) which stood improved as against 296 days for FY2022 and 458 days for FY2021. This is due to the inventory cycle of the company which though remains elongated, however recorded an improvement in FY2023 (Provisional) of 202 days as against 258 days in FY2022 and 374 days in FY2021. The high inventory cycle is led by adequate quantity of gold which is stocked by the company along with wide range of jewelleries which are manufactured well in advance to avoid any delays while meeting the client orders, as the manufacturing process and the hallmark certification process of jewelleries generally takes time. This makes the company dependent on bank borrowings for its working capital requirement. The average bank limit utilization for 6 months' period ended May 2023 stood high at ~89 percent. Further, the receivables cycle of the company stood at 51 days in FY2023 (Provisional) and 48 days in FY2022 which stood improved against 89 days in FY2021 whereas the creditors cycle stood at 32 days in FY2023 (Provisional) and 41 days in FY2022 which stood improved against 52 days in FY2021.

Acuité believes that the ability of PEPL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

**Intense competition and susceptibility of profitability margins to volatility in raw material prices**
PEPL has presence in gems and jewellery industry which is characterised by a large number of organised and unorganised players and intense competition resulting in strain on profitability margins. Further, the company is exposed to volatility in gold and diamond prices, hence the margins remain susceptible to volatility in price fluctuations.

## Rating Sensitivities

- Ability to maintain scale of operations and profitability
- Ability to improve and maintain an efficient working capital cycle

## Material covenants

None

## Liquidity Position - Adequate

PEPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs. (0.52) Cr to Rs.6 Cr during FY2021 to FY2023 (Provisional) against its repayment obligation of ~Rs.3 Cr during the same period. Going forward the NCA are expected in the range of Rs.8 Cr to Rs.10 Cr for period FY2023-FY2025 against its repayment obligation of ~Rs.5 Cr during the same period. The working capital operations of the company are highly intensive marked by its gross current asset (GCA) days of 246 days for FY2023 (Provisional). Current ratio stands at 1.54 times as on 31 March 2023 (Provisional). The company has maintained cash & bank balance of Rs.4 Cr in FY2023 (Provisional).

Acuité believes that the liquidity of PEPL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

## Outlook: Stable

Acuité believes that PEPL will maintain 'Stable' outlook over the medium term on account of its experienced management with an established track record of operations and its reputed clientele. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

## Key Financials

| Particulars | Unit | FY 23 (Provisional) | FY 22 (Actual) |
|---|---|---|---|
| Operating Income | Rs. Cr. | 306.99 | 253.26 |
| PAT | Rs. Cr. | 4.38 | 2.73 |
| PAT Margin | (%) | 1.43 | 1.08 |
| Total Debt/Tangible Net Worth | Times | 1.47 | 1.60 |
| PBDIT/Interest | Times | 1.64 | 1.49 |

## Status of non-cooperation with previous CRA (if applicable)
Not applicable

## Any other information
None

## Applicable Criteria
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm
• Default Recognition: https://www.acuite.in/view-rating-criteria-52.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. 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 :
None

## 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 Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 1.00 | ACUITE A4+ \| Assigned |
| Indusind Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 72.00 | ACUITE BB+ \| Stable \| Assigned |
| Kotak Mahindra Bank | Not Applicable | Metal Loan | Not Applicable | Not Applicable | Not Applicable | Simple | 24.80 | ACUITE BB+ \| Stable \| Assigned |
| Kotak Mahindra Bank | Not Applicable | Secured Overdraft | Not Applicable | Not Applicable | Not Applicable | Simple | 12.20 | ACUITE BB+ \| Stable \| Assigned |

## Contacts

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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.