Press Release

PRISM ENTERPRISES PRIV ATE LIMITED

September 24, 2024

Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	109.00	ACUITE BB+ | Reaffirmed & Withdrawn	-
Bank Loan Ratings	1.00	-	ACUITE A4+ | Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	110.00	-	-

Rating Rationale

Acuité has reaffirmed and withdrawn its long-term rating of **'ACUITE BB+' (read as ACUITE double B plus)** and short-term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.110.00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 rating withdrawal is in accordance with Acuité's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company and NOC received from the banker.

Rationale for Rating

The rating reaffirmation of Prism Enterprises Private Limited takes into account PEPL's stable operating and financial performance in FY2024(Prov). The operating income stood at Rs.318.95 Cr. in FY2024(Prov) against Rs.307.39 Cr. in FY2023. Further, since last three years company has maintained a range bound operating profit margin, it stood at 6.68% in FY2024 (Prov.) against 6.06% in FY2023 and 6.00% in FY2022. Further, the financial risk profile stood moderate marked by moderate networth, gearing and average debt protection metrics. Further, the rating reflects PEPL'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.

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.

Unsupported Rating
Not Applicable

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 track 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.

Moderate Financial Risk Profile

Financial risk profile of PEPL is moderate marked by moderate net worth, moderate gearing and average debt protection metrics. The tangible net worth of the company stood improved at Rs.83.70 Cr. as on 31st March, 2024 (Prov.) as against Rs. 78.35 Cr. as on 31st March, 2023. The net worth 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 in the same range, at 1.43 times as on 31st March, 2024 (Prov.) as against 1.48 times as on 31 March, 2023.

The interest coverage ratio stood improved at 1.72 times in FY2024 (Prov.) as against 1.59 times in FY2023 whereas the DSCR stood at 1.58 times in FY2024 (Prov.) as against 1.17 times in FY2023. The Net Cash Accruals to Total debt stood at 0.06 times for FY2024 (Prov.) as against 0.05 times for FY2023. The TOL/TNW stood declined to 1.83 times in FY2024 (Prov.) from 1.86 times in FY2023. The Debt-EBITDA remained high at 5.44 times for FY2024 (Prov.) as against 5.93 times for FY2023.

Weaknesses

Intense competition and susceptibility of profit ability 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.

Working capital intensive nature of operations

The working capital operations of PEPL are intensive marked by its Gross Current Assets (GCA) of 250 days for FY2024 (Prov.) which stood similar as against 244 days for FY2023. This is due to the inventory cycle of the company, which though remains elongated, however recorded an improvement in FY2024 (Prov.) which stands at 193 days as against 201 days in FY2023. 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. The average bank limit utilization for 6 months' period ended Aug'2024 stood high at ~93%. Further, the receivables cycle of the company stood at 64 days in FY2024 (Prov.) as against 51 days in FY2023 whereas the creditors cycle stood at 36 days in FY2024 (Prov.) as against 32 days in FY2023.

Rating Sensitivities

Not Applicable

Liquidity Position: Adequate

PEPL has adequate liquidity position marked by sufficient net cash accruals (NCA) against no maturing debt obligations. The company generated cash accruals of Rs.7.43 Cr. in FY24(Prov.) against Rs.5.95 Cr. in FY23. The working capital operations of the company are highly intensive marked by its gross current asset (GCA) days of 250 days in FY2024 (Prov.) leading to high reliance on working capital limits. Current ratio stands at 1.43 times as on 31st March 2024 (Prov.). The company has maintained cash & bank balance of Rs.4.24 Cr. in FY2024 (Prov.).

Outlook
Not Applicable

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	318.95	307.39
PAT	Rs. Cr.	5.24	3.93
PAT Margin	(%)	1.64	1.28
Total Debt/Tangible Net Worth	Times	1.43	1.48
PBDIT/Interest	Times	1.72	1.59

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
• Manufacturing Entities: 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, 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jun 2023	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	72.00	ACUITE BB+ | Stable (Assigned)
	Metal Loan	Long Term	24.80	ACUITE BB+ | Stable (Assigned)
	Secured Overdraft	Long Term	12.20	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
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A4+ | Reaffirmed & Withdrawn
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	72.00	ACUITE BB+ | Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not avl. / Not appl.	Metal Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.80	ACUITE BB+ | Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.20	ACUITE BB+ | Reaffirmed & Withdrawn

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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.