



Press Release
MA NI JEWEL
September 04, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs.30.00 Cr. bank facilities of Mani Jewel. The outlook is '**Stable**'.

Reason for rating assigned

The rating assigned takes into account the extensive experience of the management, established track record of operations of the firm in the gems and jewellery segment as well as the moderate financial risk profile of the firm. The rating assigned also factors in the stable operating performance of the Company over the last four years ended FY2023 (Est) driven by improving operating income and range bound operating margins. The revenue of the company grew at a growth rate of 27% and the operating margins range between 6.00 – 7.00% during the period FY2020-23. The increase in revenue is mainly because of the increase in the demand for the gold and diamond studded jewellery. However, these strengths are partially offset by its working capital-intensive nature of business and the risk of capital withdrawal of the firm.

About the Company

Mumbai based Mani Jewel (MJ) was incorporated in 2003 and is into manufacturing of gold and diamond studded jewellery. The firm has its manufacturing facility located in Surat. The firm's operations are managed by Chetan Sojitra, Minal Sojitra, Divya Sojitra and Minaxi Sojitra.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of MJ to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations

MJ was incorporated in 2003 and is managed by the Sojitra family. The partners of the firm are Chetan Sojitra, Minal Sojitra, Divya Sojitra and Minaxi Sojitra. The Sojitra family has been in the business of manufacturing of gold and diamond studded jewellery for over two decades. The day-to-day operations of the company are managed by the partners along with experienced

senior management team who are ably supported by a strong line of mid-level managers. The extensive experience of the promoters has helped the company to establish long and healthy

relationships with its customers and suppliers over the years. The firm has reputed clientele base like D P Abhushan Limited, Joyalukkas India Limited, Kalyan Jewellers India Limited, etc to name a few. Acuite believes that the firm will sustain its existing business profile over the medium term on the back of an established track record of operations with an experienced management.

Stable operating performance

The firm's revenue stood at Rs.339.60 crore in FY22 compared to revenue of Rs.169.85 crore in FY21 and Rs. Rs.209.99 Cr in FY2020. The revenue of the firm further increased and stood at Rs. 432.47 crore in FY2023. The increase in revenue is mainly because of the increased demand in the gems and jewellery industry post pandemic. The operating profit margin stood at 6.37 percent in FY22 compared to 6.87 percent in FY21 and 6.54 percent in FY2020. The firm is able to maintain a stable operating margin in the range of 6-7 percent in the previous three years. The PAT margin stood at 5.95 percent in FY22 from 6.23 percent in FY21. Acuite believes that the firm is likely to maintain a stable operating performance in the medium term on account of healthy orders from the customers.

Moderate financial risk profile

The firm has a moderate financial risk profile marked by moderate tangible networth, healthy gearing and healthy debt protection metrics. The tangible net worth of the firm stood at Rs.58.83 crore as on 31 March 2022 as against Rs.42.17 crore as on 31 March 2021 and Rs.34.06 crore as on 31 March 2020. The increase in the networth is majorly due to the accretion of profits in reserves. However, the firm has made capital withdrawals of ~Rs.11 crore in FY2022. The firm's gearing stood low at 0.33 times as on 31 March 2022 as against 0.42 times as on 31 March 2021. As on March 31,2022 the firm's total debt stood at Rs.19.35 crore which comprised of long-term debt of Rs.4.38 crore, unsecured loan of Rs.11.43 crore and short term debt of Rs.1.43 crore as on 31 March 2022. The firm has added term loans to the tune of ~Rs.17 crore in FY23 for working capital purposes. The firm is undergoing a capex wherein a factory is built in Ichchhapore, Surat. The firm has spent ~Rs.10 crore for the capex till date and this is funded through its internal accruals. The Interest Coverage Ratio (ICR) stood at 52.21 times for FY22 compared to 26.68 times for FY21 as against 25.03 times for FY20. The Debt Service Coverage Ratio (DSCR) stood at 13.50 times for FY22 as against 10.16 times for FY21 against 25.03 times for FY20. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 2.06 times as on 31 March 2022 as against 1.78 times as on 31 March 2021. Acuite believes that the company's ability to maintain the moderate financial risk profile will remain a key rating sensitivity in medium term.

Weaknesses

Working Capital Management

The firm's working capital operations are intensive as evident from Gross Current Asset (GCA) of 181 days as on March 31, 2022, as against 232 days as on March 31, 2021, and 167 days as on March 31,2020. The inventory levels stood at 65 days for FY22 compared to 89 days for FY21. The firm needs to stock up different types of jewellery samples. Average inventory days are around 60 days. The debtor days stood at 116 days for FY22 as against 143 days for FY21 as against 125 days in FY20. The average credit period allowed to the customers is around 112 days. The debtors' days were high in FY21 due to payments stuck from one of the customers. However, the firm has been able to recover a majority of the amount as on date. The creditor days of the firm stood at 122 days for FY22 as against 146 days for FY21 and 98 days for FY20. The average credit period is around 90-120 days. The diamonds are procured on the goodwill basis. Hence the firm ensures timely payment to the creditors. Working capital requirement is funded through bank lines, the average utilisation of bank facilities is low at ~35 percent for 6 months ended as on March '2023. Acuite believes that the ability of the firm to maintain the working capital operations will remain a key sensitivity in medium term.

Presence in highly competitive & fragmented industry with exposure to regulatory challenges

The country's gems and jewellery sector is highly fragmented. The retail segment has high dominance of unorganized players, who enjoy around 70 per cent market share. While in case

of the manufacturing segment, the dominance of unorganized players is even higher at around 90 per cent. Moreover, increased regulatory intervention such as gold hallmarking, requirement of PAN, etc. impact the demand-supply trend in the sector. Furthermore, the fluctuation in gold prices also impact the demand for gold.

Inherent risk of capital withdrawal in a partnership firm

The Firm is susceptible to the inherent risk of capital withdrawal given its constitution as a partnership. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

Significant improvement in scale of operations and profitability margins.

Any stretch in the working capital cycle leading to an increase in reliance on working capital borrowings and liquidity position.

Any deterioration in the financial risk profile.

All Covenants

None

Liquidity position: Adequate

The firm has an adequate liquidity position marked by healthy net cash accruals against negligible maturing debt obligations. The firm generated cash accruals of Rs.21.44 crore in FY22 against maturing debt obligations of Rs.1.20 crore over the same period. The cash accruals of the firm are estimated to remain around Rs.26.94-38.22 crore during 2023-25 period while its matured debt obligations is estimated to be in the range of Rs.3.73-4.03 crore during the same period. The firm maintains unencumbered cash and bank balances of Rs.1.27 crore as on March 31, 2022, and the current ratio stood moderate at 1.62 times as on March 31, 2022.

Outlook: Stable

Acuite believes that MJ will maintain a 'Stable' outlook in the medium term and will continue to benefit over the medium term due to its experience management and healthy demand of its products in the market. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure through equity infusion. Conversely, the outlook may be revised to 'Negative', if company generates lower-than anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	339.60	169.85
PAT	Rs. Cr.	20.19	10.57
PAT Margin	(%)	5.95	6.23
Total Debt/Tangible Net Worth	Times	0.33	0.42
PBDIT/Interest	Times	52.21	26.68

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

None

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>
- 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 :

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
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.28	ACUITE BBB Stable Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.16	ACUITE BBB Stable Assigned
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.44	ACUITE BBB Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.75	ACUITE BBB Stable Assigned
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.37	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Tanvi Kadam Analyst-Rating Operations Tel: 022-49294065 tanvi.kadam@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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