

Press Release
MANI JEWEL
December 02, 2024
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple B**) on the Rs. 30.00 Cr. bank facilities of Mani Jewel. The outlook remains ‘**Stable**.’

Rationale for rating

The rating reaffirmation factors in the moderate financial risk profile and moderately efficient working capital of the firm and also draws comfort from the extensive experience of the management in the gems and jewellery industry. These strengths are partially offset by the moderate operating performance of the firm in FY2024, which witnessed a deterioration in revenue from Rs434.04 Cr. in FY2023 to Rs. 352.53 Cr. in FY2024 on account of degrowth in demand and decrease in the operating margin from 7.90 Percent in FY2023 to 5.26 percent in FY2024 due to rise in the employee cost.

Further, the firm's ability to grow its scale of operations and profitability while maintaining a healthy capital structure remains a key rating sensitivity.

About the Company

Mumbai based Mani Jewel (MJ) was incorporated in 2003 and is into manufacturing of diamond studded gold 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.

Unsupported Rating

Not Applicable

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 Sojitra family - Chetan Sojitra, Minal Sojitra, Divya Sojitra and Minaxi Sojitra. The family has been in the business of manufacturing gold and diamond studded jewellery for over two decades. Therefore, 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 a reputed client base which includes D P Abhushan Limited, Joyalukkas India Limited, Kalyan Jewellers India Limited, etc . Further, 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.

Moderate Financial Risk Profile

The firm has a moderate financial risk profile marked by moderate network, low gearing and comfortable debt protection metrics. While, the net worth of the firm declined to Rs. 67.81 Cr. on March 31, 2024 from Rs. 69.29 Cr. in FY2023 on account of withdrawal of funds by the partners, the TOL/TNW still remains healthy at 1.38 times on March 31, 2024 as against 1.81 times on March 31, 2023. The gearing also improved from 0.64 times on March 31, 2023 to 0.59 times on March 31, 2024. Further while the Debt-EBITDA increased from 1.29 times on March 31, 2023 to 2.15 times on March 31, 2024 due to lower profitability, the debt metrics stood comfortable with a strong Interest Coverage Ratio of 4.95 times and healthy Debt Service Coverage Ratio of 3.86 times as on March 31, 2024.

Moreover, the ability of the company to maintain a healthy capital structure will remain a key rating sensitivity.

Moderate working capital management

The working capital operations of the firm are moderate as evident from Gross Current Assets (GCAs) of 145 days on March 31, 2024 as against 149 days on March 31, 2023. The GCA days are backed by inventory days and debtor days of 49 days and 92 days respectively on March 31, 2024 as against 42 days and 106 days respectively on March 31, 2023. The firm provides an average credit period of 90 days to its customers. The creditor days stood at 59 days on March 31, 2024 as against 79 days on March 31, 2023. The firm receives an average credit period of 120 days for diamond procurement, while purchase of gold is done on COD basis.

Further, any elongation in the working capital cycle will be a key rating sensitivity.

Weaknesses

Declining operating performance

Revenue of the company declined by ~19 percent to Rs. 352.53 Cr. in FY2024 from Rs. 434.04 Cr. in FY2023 on account of low demand coupled with downtrend experienced in the natural diamond industry. The operating margin declined to 5.26 percent in FY2024 as against 7.90 percent in FY2023 due to significant changes in the management of the firm, which led to slow down in the operations and increase in employee cost. Further, the PAT margin stood at 3.52 percent in FY2024 as against 6.97 percent in FY2023.

The firm has generated a revenue of Rs. 157 Cr. for 6 months ended September FY2025. Despite stagnant revenue growth, the EBITDA margin has improved to 6.41 percent and the PAT margin stood at 4.47 percent for H1 FY2025.

Further, the ability of the firm to scale up their operations and profitability levels will be a key rating sensitivity.

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

The country's gems and jewellery sector is highly fragmented. Coupled to that, the natural diamond industry has been facing declining demand from the past 2 years due to various geo political factors along with shift in consumer preference towards gold and lab grown diamonds.

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. In FY2024, the partners had withdrawn Rs. 13.88 Cr, part of which was utilised for expanding operations which led to a reduction in the network from Rs. 69.29 Cr. in FY2023 to Rs. 67.81 Cr. on March 31, 2024. However, any further significant withdrawal from the partner's capital which may have a negative bearing on the financial risk profile of the firm shall be a key rating sensitivity.

Rating Sensitivities

- Improvement in scale of operations and profitability margins.
- Deterioration of financial risk profile
- Deterioration in working capital cycle leading to stretch in the liquidity position
- Significant withdrawal of funds from partners capital

Liquidity Position

Adequate

The liquidity position of the firm is adequate, supported by generation of sufficient net cash accruals (NCAs) of Rs. 14.97 Cr. against maturing obligations of Rs. 1.07 Cr. in FY2024. Going forward, the NCAs are expected to remain in the range of Rs. 17 – 21 Cr. against repayment obligations of Rs. 4.50 – 5.00 Cr. for FY2025 and FY2026 which provides sufficient liquidity cushion. Further, the current ratio of the firm also improved to 2.23 times on March 31, 2024 as against 2.03 times on March 31, 2023. The firm also has an unencumbered cash and bank balance of Rs. 2.01 Cr. on March 31, 2024. Further the cash credit limits have been utilised at 35.77 percent for the last six months ending September 2024. The company also avails gold metal loan of Rs. 5.00 Cr. which was fully utilised as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	352.53	434.04
PAT	Rs. Cr.	12.40	30.23
PAT Margin	(%)	3.52	6.97
Total Debt/Tangible Net Worth	Times	0.59	0.64
PBDIT/Interest	Times	4.95	11.80

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, 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 Sep 2023	Cash Credit	Long Term	6.28	ACUITE BBB	Stable (Assigned)
	Term Loan	Long Term	1.75	ACUITE BBB	Stable (Assigned)
	Term Loan	Long Term	2.37	ACUITE BBB	Stable (Assigned)
	Cash Credit	Long Term	6.16	ACUITE BBB	Stable (Assigned)
	Term Loan	Long Term	13.44	ACUITE BBB	Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.28	Simple	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.16	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.37	Simple	ACUITE BBB Stable Reaffirmed
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	06 Mar 2023	Not avl. / Not appl.	05 Mar 2033	3.16	Simple	ACUITE BBB Stable Reaffirmed
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	09 Sep 2022	Not avl. / Not appl.	05 Jul 2033	8.81	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	04 Feb 2022	Not avl. / Not appl.	10 Jan 2027	1.40	Simple	ACUITE BBB Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	30 Sep 2019	Not avl. / Not appl.	10 Oct 2032	1.82	Simple	ACUITE BBB Stable Reaffirmed

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