

Moksh Ornaments Limited

November 07, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	44.28 (Enhanced from 33.00)	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	0.72 (Reduced from 12.00)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Moksh Ornaments Limited (MOL) continue to derive strength from the extensive experience of the promoters in Gems and Jewellery (G&J) industry with long track record of operations, MOL's established market position in gold jewellery industry, well-established and diversified customer base. The ratings are also supported by comfortable capital structure and debt coverage indicators.

The above rating strengths, however, continue to be tempered by moderate scale of operations, low profitability margins, profit margins susceptible to foreign currency fluctuation/volatility in raw material prices and strong competition from organized and unorganized players in the industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations with total operating income close to around Rs. 600 crore on a sustained basis.
- Improvement in profit margins with PBILDT exceeding 3.50% on a sustained basis.
- Improvement in Total Debt / Gross Cash Accruals to reach below 4.00x on a sustained basis.

Negative factors

- Deterioration in working capital cycle beyond 100 days on a sustained basis.
- Deterioration in the capital structure with overall gearing exceeding unity level on a sustained basis.
- Significantly lower than envisaged turnover and profitability margins leading to deterioration in cash accruals.
- Deterioration in the liquidity position with average utilization of the working capital limit exceeding 85% with elongation in collection period exceeding 90 days on a sustained basis resulting in deterioration in overall operating cycle.

Analytical approach: Standalone

Outlook: Stable

MOL is expected to benefit over the medium term from the stable industry outlook for gold jewellery in domestic market.

Detailed description of the key rating drivers

Key strengths

Experienced management and established market position in Gold Jewellery Industry

The company is promoted by Mr. Jawanmal M. Shah and Mr. Amrit J. Shah having experience of over two decades in the Jewellery industry. This has helped to develop strong and elongated relationships with customers as well as suppliers which ensure smooth functioning day-to-day business.

Well established and diversified customer base

MOL caters to customers based largely in Maharashtra and Madhya Pradesh and gets gold jewellery like bangles etc. manufactured from artisans based in Kolkata and vertical chains in Mumbai. The company is a B2B player and supplies manufactured products to various retailers. The company does export as well as domestic sales wherein export sales contributed to 17.33% of the total revenue in FY23 vis-à-vis 16.30% of the total revenue in FY22 with 100% export sales to its major export destination i.e. UAE, whereas the rest constituted domestic sales. MOL has long established relationship with its clients and the sales are largely to the regular customers indicating repeated orders. In FY23, top 10 customers accounted for nearly 47.94% of TOI (vis-à-vis 38.13% in FY22) and 57.75% in H1FY24 of the overall revenues indicating that the customer base is well diversified.

Comfortable capital structure and debt coverage indicators

The capital structure of the company stood comfortable with overall gearing at 0.54x as on March 31, 2023 vis-à-vis 0.09x as on March 31, 2022. Backed by higher debt position as on balance sheet date, the debt protection metrics viz. total debt to GCA remained at 4.42x as on Mar 31, 2023 vis-à-vis 0.78x as on Mar 31, 2022. Interest coverage stood comfortable at 4.76x in FY23 vis-à-vis 8.52x in FY22.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate operating cycle albeit operations being working capital intensive

MOL's working capital cycle days remained moderate and has shown improvement from 64 days in FY22 to 48 days in FY23 owing to improvement in collection days. The inventory days remained stable at 24 days in FY23 vis-à-vis 22 days in FY22. However, in absolute terms, the same has increased significantly. The collection days improved from 42 days in FY22 to 24 days in FY23, thereby remaining stable. MOL procures gold on advance basis from registered dealers and banks. Average working capital utilisation of fund-based facilities of MOL remained ~88% during past twelve months ending September 2023.

Key weaknesses

Growth in scale of operation however stood moderate along with modest profitability

The scale of operations of the company marked by Total operating income (TOI) reflected growth of 37.64% in FY23 with the TOI of Rs. 446.84 crore in FY23 vis-à-vis Rs. 324.65 crore in FY22 on the back of positive demand sentiments. Further, MOL has reported sales of Rs. 259.24 crore in H1FY24 (Apr 2023 to Sept 2023) vis-à-vis Rs. 215.76 crore in H1FY23 (April 2022 to Sept 2022). The PBILDT margin of the company remained stable at 2.34% in FY23 vis-à-vis 2.38% in FY22. The margins are modest due to limited value addition whereby the manufacturing activity is outsourced to third parties. The PBILDT and PAT margin stood at 2.43% and 1.29% respectively in H1FY24.

Exposed to volatility in foreign exchange fluctuation/raw material prices

MOL continues to derive 17.33% revenue from export sales so operational performance of the company is exposed to foreign exchange fluctuation risk. Further, the company does not import thereby not providing the benefit of natural hedge. However, MOL has availed forward cover limit from the banks to hedge its risk on foreign currency exposure. The margins of MOL are susceptible to volatility in gold prices which depend on the international commodity market as well as the forex fluctuations. The company had reported profits on account of exchange rate fluctuations amounting to Rs. 0.25 crore in FY23 vis-à-vis Rs. 0.63 crore during FY22.

Presence in highly competitive and fragmented Gems & Jewellery industry

The Gems & Jewellery (G&J) industry is a highly fragmented industry with a high level of competition from both the organized and largely unorganized sector. Moreover, the global macroeconomic environment continues to remain uncertain and poses a major challenge for the G&J industry, which is mainly export-driven. Furthermore, in the wake of the recent adverse global macroeconomic developments, the G&J industry has seen a slowdown in demand and the players have to offer high credit period to its customers.

Liquidity: Adequate

Liquidity is marked by gross cash accruals expected in the range of Rs. 7-8 crore during FY24 and FY25 against principal term loan repayment obligation of Rs. 2.89 crore in FY24. The utilization of fund-based limits was around 88% for the past 12 months ending Sept 2023. The company has free cash and bank balance of Rs. 3.10 crore as on March 31, 2023 vis-à-vis Rs. 1.21 crore as on March 31, 2022. Also, cash flow from operating activities remained negative at Rs. 19.32 crore in FY23 vis-à-vis positive cash flow operations at Rs. 26.27 crore in FY22. Further, current ratio and quick ratio remained comfortable at 2.91x and 1.34x as on Mar 31, 2023 vis-à-vis 12.41x and 8.66x respectively as on Mar 31, 2022.

Applicable criteria

[Policy on default recognition](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial ratios - Non-Financial Sector](#)

[Short Term Instruments](#)

[Manufacturing companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

Moksh Ornaments Limited (MOL) was incorporated as a private limited company on July 19, 2012 which got converted to public limited company on September 07, 2017. The company is promoted by Mr. Jawanmal M. Shah and Mr. Amrit J. Shah who have healthy experience in the jewellery industry.

The company is engaged in manufacturing and wholesale of gold jewellery comprising of various products viz. bangles, chain and necklaces on job work basis from its units located at Kolkata and Mumbai. At Mumbai unit, only vertical chains are manufactured while at Kolkata, only bangles are manufactured. The company procures gold and gold bullion, which is the major raw material for manufacturing of gold jewellery from registered and authorized dealers viz. banks and various gold bar dealers based in Mumbai.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24* (Prov.)
Total operating income	324.65	446.84	259.24
PBILDT	7.72	10.47	6.30
PAT	5.13	6.13	3.34
Overall gearing (times)	0.09	0.54	0.96
Interest coverage (times)	8.52	4.76	3.58

A: Audited; Prov.: Provisional; *As published on NSE website; Note: 'the above results are latest financial results available'.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not applicable

Disclosure of Interest of Managing Director & CEO: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Not Applicable

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	41.88	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	December 31, 2025	2.40	CARE BBB-; Stable
Non-fund-based - ST-Forward Contract	-	-	-	-	0.72	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	2.40	CARE BBB-; Stable	-	1)CARE BBB-; Stable (01-Dec-22)	-	-
2	Fund-based - LT-Cash Credit	LT	41.88	CARE BBB-; Stable	-	1)CARE BBB-; Stable (01-Dec-22)	-	-
3	Non-fund-based - ST-Forward Contract	ST	0.72	CARE A3	-	1)CARE A3 (01-Dec-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

<p>Media Contact</p> <p>Name: Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Name: Sudarshan Shreenivas Director CARE Ratings Limited Phone: 022- 6754 3566 E-mail: sudarshan.shreenivas@careedge.in</p> <p>Name: Arunava Paul Associate Director CARE Ratings Limited Phone: 022-67543667 E-mail: arunava.paul@careedge.in</p> <p>Name: Pranjali Hatode Analyst CARE Ratings Limited E-mail: pranjali.hatode@careedge.in</p>
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About us:

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