

## Mukti Gold Private Limited

July 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	55.00	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to bank facilities of Mukti Gold Private Limited (MGPL) reflects its established track record in the gold jewellery segment and CARE Ratings Limited's (CARE Ratings') expectations that the company will maintain adequate performance in the medium term supported by its long relationship with reputed clientele. The rating factors in sustained improvement in scale of operation in the last three years, as reflected by its revenue compounded annual growth rate (CAGR) of ~33% between FY21 and FY24, backed by growth in volume and prices. Total operating income (TOI) grew marginally by ~8% y-o-y to around ₹553 crore in FY24 (provisional) and its operating margin have improved slightly by 22 bps from FY23. CARE Ratings expects MGPL's revenue to grow by 8-10% y-o-y in the next 2-3 years, supported by repeat orders from its existing clients and rising prices, with operating margin sustaining around 3.5-4% per annum, translating to adequate gross cash accruals (GCA).

CARE Ratings notes that MGPL has filed an application with NCLT for demerger of the business where MGPL (demerged entity) will retain machine-made jewellery manufacturing while its hand-made jewellery operations will be transferred to Samruddhi Jewel Craft Private Limited (SJCPL) (resulting entity). Shareholders of both entities will remain the same and shareholding in MGPL is expected to remain unchanged. While there could be a transient impact on MGPL's net worth owing to the proposed demerger, its operations are unlikely to be materially impacted by the transaction and will continue to be monitored.

The rating also considers the company's adequate capital structure and comfortable interest coverage ratio. The capital structure of the company has improved in the last few years due to better accruals and extension of subordinated unsecured loans (₹8.42 crore as on March 31, 2024) by promoters translating in a gearing of 0.63x and total operating liabilities to total net worth (TOL/TNW) of 1.28x as on March 31, 2024 (Prov.) compared to 0.95x and 1.91x, respectively, as on March 31, 2023. Its interest covers also stood comfortable at 5.53x in FY24. CARE Ratings expects MGPL to maintain an adequate financial risk profile over the coming years, despite the likely impact on its net worth owing to the proposed business demerger. The rating also derives comfort from the reputed client base and long experience of MGPL's promoters in the domestic jewellery industry.

However, the rating is constrained by moderate scale of operation and profitability and its exposure to gold price volatility. The company remains exposed to intense competition in the jewellery manufacturing industry, which limits its pricing flexibility and regulatory risks faced by the sector.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive Factors

- Substantially growing scale of operation and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin leading to better cash accruals.
- Improving TOL/TNW below 1.20x.

#### Negative Factors

- Significantly declining scale of operation or PBILDT margin, leading to declining cash accruals and pressure on coverage indicators.
- Deteriorating interest coverage below 3x on a sustained basis.

### Analytical approach: Standalone

### Outlook

The stable outlook reflects CARE Ratings' expectations that MGPL will continue maintaining adequate financial risk profile in the medium term, while benefiting from its established operational track record and experience of promoters.

### Detailed description of key rating drivers:

### Key strengths

#### Experienced promoters having established track record in G&J industry

MGPL is promoted by Mahendrakumar B Jain, Shreyans Sureshkumar Jain and Gautam Babulal Pomani. Promoters have a long experience of over two decades in the gems and jewellery industry, which helped it develop strong relationships with key

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

customers and suppliers. Promoters have extended unsecured loans of ₹10.84 crore (including ₹8.42 crore subordinated unsecured loans) as on March 31, 2024, to the company, which benefits its financial risk profile.

#### **Reputed clientele base despite client concentration risk prevails**

MGPL is a B2B player and supplies manufactured products to several jewellery retailers. Some key customers include renowned jewellery retail chains such as GRT Jewellers (India) Private Limited, Malabar Gold Private Limited, Saravana Stores Elite Private Limited, and Joyalukkas India Limited, among others. MGPL has long established relationship with its clients indicated by repeated orders. In FY24 (Prov.), top five customers accounted for nearly 42.11% of TOI (PY:42.35%). While there is some concentration risk, the risk is mitigated to a large extent by long relations with key customers.

#### **Adequate capital structure and debt coverage indicators**

MGPL's debt profile as on March 31, 2024 (Prov), comprised term loans including guaranteed emergency credit line (GECL) loans ₹4.80 crore, unsecured loans from promoters/relatives ₹2.42 crore (excluding subordinated unsecured loan of ₹8.42 crore) and outstanding working capital borrowings ₹33.56 crore. The company's capital structure stood comfortable marked by overall gearing of 0.63x as on March 31, 2024, (0.95x as on March 31, 2023) and TOL/TNW stood at 1.28x as on March 31, 2024 (PY: 1.91x). Debt coverage indicators stood adequate marked by interest coverage at 5.53x in FY24 (PY: 5.78x). CARE Ratings expects the company to maintain an adequate financial risk profile in the medium term.

#### **Key weaknesses**

##### **Moderate scale of operation and profitability**

MGPL's scale of operations remains moderate with ~₹553 crore of revenue and a PBILDT margin of 4.17% in FY24 (prov.), which limits its operational flexibility in unfavourable market conditions. However, it has reported a healthy increase in its total operating income at a CAGR of 33% in the last three years. Growth in revenues is considering uptick in demand of traded gold jewellery, higher realisation owing to increase in gold prices and positive industry prospect. The company's profitability has remained stable in last five years marked by PBILDT margins between ~3.5% to ~4.5% and profit after tax (PAT) margins stood between 1.5% to 2.5%. Going forward, substantial improvement in scale of operations and profitability remain key rating sensitivities.

##### **Moderate operating cycle albeit operations being working capital intensive**

The company's operations are working capital intensive because of its need to maintain sizeable inventories and extend credit periods to major customers. MGPL's working capital cycle days remained moderate at 60 days in FY24 (PY: 53 days) with the average inventory days remained stable at 33 days (PY: 33 days) and average collection period marginally deteriorated to 53 days (PY: 43 days). Average working capital utilisation of fund-based facilities of MGPL in 12-months ending March 2024 stood at 85.05%. There has been an enhancement in working capital of ₹ nine crore, that will add some liquidity cushion.

##### **Profitability margins susceptible to volatility in gold prices and intense competition limits pricing flexibility**

The company faces intense competition from other players in the jewellery manufacturing industry, which remains largely unorganised, limiting pricing flexibility. A high inventory of unhedged raw materials exposes the company's profitability to gold price volatility.

#### **Liquidity: Adequate**

The liquidity position remains adequate marked by sufficient projected cash accruals between ₹16-20 crore per annum against repayment obligations of ₹2.21 crore in FY25, ₹1.16 crore in FY26 and 0.81 crore in FY27. As on March 31, 2024, the free cash balance stood at ₹1.71 crore. Average working capital utilisation of fund-based facilities of MGPL in 12-months ending March 2024 stood at 85.05%. MGPL's working capital limits enhanced by ₹ nine crore in July 2024, which provides a healthy buffer. As on March 31, 2024, the current ratio stood comfortable at 1.87x (PY: 1.74x) and quick ratio stood at 1.19x (PY: 1.11x)

#### **Applicable criteria**

[Definition of Default](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Rating Watch](#)  
[Manufacturing Companies](#)  
[Financial Ratios – Non financial Sector](#)  
[Wholesale Trading](#)

#### **About the company and industry**

##### **Industry Classification**

Macro-economic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Gems, jewellery and watches

Incorporated on April 30, 2012, MGPL is engaged in manufacturing machine made jewellery. The company is in Mumbai and promoted by Mahendrakumar B Jain, Shreyans Sureshkumar Jain and Gautam Babulal Pomani. It specialises in machine-made jewellery with varieties across gold jewellery, natural diamond jewellery, 22 carat and 18 carat CZ Jewellery (Cubic Zirconia) and have recently launched CVD Lab grown diamond and Polki jewellery.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov)
Total operating income	335.97	509.01	553.26
PBILDT	11.72	20.12	23.06
PAT	5.85	12.23	13.79
Overall gearing (times)	1.38	0.95	0.63
Interest coverage (times)	3.27	5.78	5.53

A: Audited UA: Unaudited Prov: Provisional; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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		-	-	-	50.66	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	01-09-2028	4.34	CARE BBB; Stable

**Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	50.66	CARE BBB; Stable				
2	Fund-based - LT-Term Loan	LT	4.34	CARE BBB; Stable				

LT: Long term

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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