

Fusion Jewelry Manufacturing Company Private Limited

January 29, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	0.36	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	2.90	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE BB-; Stable and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	4.60	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

Fusion Jewelry Manufacturing Company Private Limited (FJMPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on FJMPL's bank facilities will now be denoted as **CARE B+; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of continuous decline in the scale of operations along with significant elongation in the working capital cycle leading to deterioration in the liquidity position. The ratings further takes in the account FJMPL's small scale of operations, moderate profit margins, stretched working capital cycle leading to stretched liquidity and weak debt coverage indicators, customer and supplier concentration risk and susceptibility of profit margins due to volatile input prices and foreign exchange fluctuation risk, significant experience of the management along with long track record of the company and comfortable capital structure.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations

FJMPL's scale of operations has reflected declining trend since FY22 as its demand is driven by the export markets. The same has declined to Rs.43.11 crore in FY24 vis-à-vis Rs.51.69 crore in FY23 owing to sluggish demand in the G&J industry causing a decline in exports. Hence, the scale of operations continues to remain small with networth base of Rs.25.84 crore as on March 31, 2024, which limits its financial flexibility to meet any exigency.

Moderate profit margins

The profitability margins of the entity remained moderate and fluctuating in the range of 2.79% to 4.75% during last five years ending FY24, owing to competitive pricing policy undertaken by the company. Further, FJMPL's PBILDT margin deteriorated marginally to 3.66% in FY24 vis-à-vis 3.94% in FY23. The PAT margin improved significantly from 0.80% in FY23 to 8.91% in FY24, due to the extraordinary income of Rs. 4.01 crore from profit on sale of fixed assets.

Working capital intensive nature of operations

The operations of the company are working capital intensive in nature marked by funds blocked in debtors and inventory. The company has to grant higher credit to its customers on account of low bargaining power against them. Also, a significant portion of the sales is to its US based group company. Further, the processing time is higher as it manufactures customized products and its labour-intensive process. Gold and diamond stock has to be maintained to meet uninterrupted supply. However, owing to established relations it gets sufficient credit from its suppliers. However, with decline in TOI in FY24, the debtors have also declined from Rs. 23.44 crores in FY23 to Rs. 22.85 crores in FY24. Nevertheless, FJMPL's working capital cycle deteriorated

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

significantly and stood at 265 days in FY24 vis-à-vis 218 days in FY23, owing to deterioration of inventory holding period due to global slowdown in the G&J industry.

Customer & supplier concentration risk

During FY24, Gold & Diamond Inc accounted for around 55.67% of total sales, and Lucent Jewelers INC, which is a group entity of FJMPL based in USA, accounted for 33.22% of the sales for FY24. Therefore, the concentration continues with top two customers contributing around 90% of total revenue. During FY24, FJMPL imported 40.01% (vis-à-vis 41.85% in FY23) of its raw materials namely gold, silver & rough diamonds from foreign markets and therefore majority of the raw material was from local suppliers.

Susceptibility of margins to fluctuation in input prices & foreign exchange fluctuation risk

The entity earned majority of its revenue through exports (89% in FY24 vis-à-vis 92% in FY23) of gold and silver jewellery products. The company also imported 40.01% of its raw materials (vis-à-vis 41.85% in FY23) and hence does partial hedging. However, its margins are still exposed to fluctuations in exchange rates. Going forward, the ability of the company to manage forex fluctuation is critical from credit risk perspective.

Key strengths

Long track record of operations with experienced promoters

The company has established track record of operations of over two decades in the market. Moreover, promoters of the company also have experience of more than four decades in the industry and looks after the overall operations of the company. Over the years of existence in the market the promoters have established long standing relations with customers and suppliers.

Comfortable capital structure and moderate debt coverage indicator

FJMPL's capital structure has remained comfortable in the past and improved marginally in FY24 as marked by overall gearing of 0.27x as on March 31, 2024, vis-à-vis 0.28x as on March 31, 2023, due to scheduled repayment of its GECL loans. Hence, it continues to remain comfortable. The total debt to GCA improved significantly and stood at 1.61x for FY24 (vis-à-vis 7.03x in FY22) due to significant increase in GCA which is supported by extraordinary income. The interest coverage ratio slightly deteriorated from 2.92x in FY23 to 2.44x in FY24, owing to decline in PBILDT levels.

Liquidity: Stretched

Liquidity position stood stretched during FY24 as marked by tightly matched accruals as against its repayment obligations, negative cash flow from operations, elongated operating cycle and high utilization of its working capital limit. The expected GCA likely to remain tightly matched as against its repayment obligation of Rs. 0.24 crore for FY25 and Rs. 0.26 crore in FY26. Further, due to blockage of funds in receivables and inventories coupled with decrease in creditors, net cash flow from operations turned negative at Rs.5.44 crore during FY24 as against positive cashflow of Rs.4.73 crore during FY23. Cash and bank balance stood meagre at Rs. 0.10 crores as on March 31, 2024. Current ratio stood improved slightly to 1.94x as on March 31, 2024, as against 1.66x as on March 31, 2023.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

Incorporated in August 2003 as a private limited company, Fusion Jewelry Manufacturing Company Private Limited (FJMPL) is engaged in manufacturing of gold, silver and diamond studded jewellery namely rings, earrings, bracelets & pendants. The promoters of the company are Mr. Nanubhai Savaliya and Mr. Priyesh G. Dudhat both are mutually handling overall operations of the company.

FJMPL's has a manufacturing unit situated at SEEPZ (Santacruz Electronics Export Processing Zone), Mumbai and has been earmarked as Special Economic Zone by the Government of India. The company has installed capacity to manufacture around 1,00,000 units per annum (i.e. Rings, Earrings and Pendants made by Gold, Silver & Brass). The company also has branch office at Bharat Diamond Bourse, Mumbai from April 1, 2017.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	51.69	43.11
PBILDT	2.03	1.58
PAT	0.41	3.84
Overall gearing (times)	0.28	0.27
Interest coverage (times)	2.92	2.44

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

Status of non-cooperation with previous CRA: ICRA, vide its press release dated January 23, 2024, placed the ratings assigned to the bank facilities of FJMPL under issuer not cooperating category, as the company did not provide the requisite information needed to conduct the rating exercise.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Working capital Term Loan		-	-	July-2024	0.36	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Packing Credit in Foreign Currency		-	-	-	2.90	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	4.60	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 - ST-Bill Discounting/ Bills Purchasing	ST	4.60	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (03-Jan-24)	1)CARE A4 (15-Nov-22)	1)CARE A4 (17-Mar-22) 2)CARE A4 (27-Apr-21)
2	Fund-based - LT-Working capital Term Loan	LT	0.36	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (03-Jan-24)	1)CARE BB-; Stable (15-Nov-22)	1)CARE BB-; Stable (17-Mar-22) 2)CARE BB-; Stable (27-Apr-21)
3	Fund-based - LT/ ST-Packing Credit in Foreign Currency	LT/ST	2.90	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (03-Jan-24)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Working capital Term Loan	Simple
2	Fund-based - LT/ ST-Packing Credit in Foreign Currency	Simple
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple

Annexure-5: Lender details

To view the 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 for clarifications.

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About us:

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