

## Moksh Ornaments Limited

January 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	55.00 (Enhanced from 41.88)	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	0.72	CARE A3	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

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.

Also, Care Ratings has withdrawn the outstanding ratings of 'CARE BBB-; Stable' assigned to the Bharat Co-operative Bank facilities of Moksh Ornaments Limited with immediate effect. The above action has been taken at the request of Moksh Ornaments Limited and 'No Dues Certificate' received from the bank that have extended the facilities rated by CARE Ratings.

### 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 crores 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.

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

### **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 24.78% of the total revenue in FY24 vis-à-vis 17.33% of the total revenue in FY23 with 100% export sales to 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 FY24, top 5 customers accounted for nearly 40.28% of TOI and 34.13% 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 0.86x as on March 31, 2024 vis-à-vis 0.54x as on March 31, 2023. Backed by higher debt position as on balance sheet date, the debt protection metrics viz. total debt to GCA remained at 7.42x as on Mar 31, 2024 vis-à-vis 4.42x as on Mar 31, 2023. Interest coverage stood comfortable at 2.57x in FY24 vis-à-vis 4.76x in FY23.

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

MOL's working capital cycle days remained moderate and has increased from 48 days in FY23 to 69 days in FY24 owing to increased inventory days. The inventory days stood at 41 days in FY24 vis-à-vis 24 days in FY23. However, in absolute terms, the same has increased significantly. The collection days has remained stable at 28 days in FY24 from 24 days in FY23. 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 October 2024.

### **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) of Rs. 450.32 crore in FY24 vis-à-vis Rs. 446.84 crore in FY23. Further, MOL has reported sales of Rs. 295.27 crore in H1FY24 (Apr 2024 to Sept 2024) vis-à-vis Rs. 259.24 crore in H1FY24 (April 2023 to Sept 2023). The PBILDT margin of the company has increased to 3.01% in FY24 vis-à-vis 2.34% in FY23. 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 2.98% and 1.57% respectively in H1FY25.

#### **Exposed to volatility in foreign exchange fluctuation/raw material prices**

MOL continues to derive 24.78% revenue from export sales so operational performance of the company is exposed to foreign exchange fluctuation risk. Recently, the company has begun importing gold from the UAE, benefiting from a 1% tariff concession under the Tariff Rate Quota (TRQ) and 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. 1.12 crore in FY24 vis-à-vis Rs. 0.25 crore during FY23.

#### **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 adequate marked by gross cash accruals expected in the range of Rs. 8-9 crore during FY25 and FY26 against principal term loan repayment obligation of Rs. 2.89 crore in FY25. The utilization of fund-based limits was around 88% for the past 12 months ending October 2024. The company has free cash and bank balance of Rs. 1.82 crore as on March 31, 2024, vis-à-vis Rs. 3.10 crore as on March 31, 2023. Also, cash flow from operating activities remained negative at Rs. 13.38 crore in FY24 vis-à-vis negative cash flow operations at Rs. 19.33 crore in FY23. Further, current ratio and quick ratio remained comfortable at 2.23x and 1.09x as on Mar 31, 2024, vis-à-vis 3.16x and 1.42x respectively as on Mar 31, 2023.

**Applicable criteria**

[Definition of Default](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Rating Watch](#)  
[Manufacturing Companies](#)  
[Financial Ratios – Non financial Sector](#)  
[Short Term Instruments](#)  
[Withdrawal Policy](#)

**About the company and industry****Industry classification**

Macroeconomic 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 and has begun importing from UAE benefiting them from 1% tariff concession.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	HIFY25 (UA)
Total operating income	446.84	450.32	295.27
PBILDT	10.47	13.55	8.81
PAT	6.13	6.50	4.65
Overall gearing (times)	0.54	0.86	0.83
Interest coverage (times)	4.76	2.57	3.15

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

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

**Any other information:** Not Applicable

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

**Detailed explanation of covenants of rated instrument / facility:** 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	55.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	December 31, 2025	0.00	Withdrawn
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 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-Term Loan	LT	-	-	-	1)CARE BBB-; Stable (07-Nov-23)	1)CARE BBB-; Stable (01-Dec-22)	-
2	Fund-based - LT-Cash Credit	LT	55.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Nov-23)	1)CARE BBB-; Stable (01-Dec-22)	-
3	Non-fund-based - ST-Forward Contract	ST	0.72	CARE A3	-	1)CARE A3 (07-Nov-23)	1)CARE A3 (01-Dec-22)	-

LT: Long term; ST: Short term; LT/ST: 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 details**

To 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 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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### Disclaimer:

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