Priority Jewels Private Limited
March 31, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities/ Short-term Bank Facilities	110.00	**CARE BBB; Stable/CARE A3+ (Triple B; Outlook: Stable/ A Three Plus)**	**Reaffirmed**
Total Facilities	**110.00 (Rs. One hundred and ten crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of Priority Jewels Pvt Ltd (PJPL) factors in experience of its promoters, integrated operations of PJPL supported with vast distribution network and well established clientele across domestic market.

However, the rating strengths are tempered by moderate scale of operations with constrained profitability, moderate financial risk profile, foreign exchange fluctuation risk, volatility in raw material prices and presence in highly competitive and fragmented Gems and Jewellery (G&J) industry.

Key Rating Sensitivities

Positive Rating Sensitivities

- Improvement of PBILDT margins in jewellery business above 6.00% & PAT margins above 2.50%
- Improvement in overall gearing below 0.50x
- Operating cycle to be reduced below 130 days also should be there

Negative Rating Sensitivities

- Deterioration in overall gearing above 1.35x
- Fall in PBILDT margins below 4.00%
- Any debt funded capex/acquisition or any significant increase in working capital utilization

Detailed description of the key rating drivers

Key Rating Strengths:

Experienced and reputed promoters in jewellery industry

PJPL has an established presence in jewellery manufacturing industry for more than half a decade. Besides, Mr. Shailesh H. Sangani, Managing Director of Priority Jewels Private Limited has a rich experience of more than three decades in the gems and jewellery business. He is well supported by Mr. Tushar Mehta, Director with other co-promoters Mrs. Manisha Sangani. The management of the group is assisted by a team of well qualified and experienced directors, who are actively involved in various functions of the business.

Integrated operations of the group supported with vast distribution network

The operations of PJPL is well integrated in the field of jewellery manufacturing and marketing as PJPL's operations spans from trading in polished diamonds to diamond studded jewellery manufacturing.

Well established and reputed clientele across domestic market

PJPL supplies its jewellery to well established and reputed clientele base which includes TBZ group, Reliance Retail, Kalyan Jewellers, P.C. Jewellers, Joy Alukkas India Ltd, Caratlane Trading Pvt Ltd, Malabar Gold, PC Chandra Group, Muthoot EXIM Pvt Ltd, etc. Besides, the group has long established relationship with its clients ensuring repeat orders from them. The top 10 clients of PJPL contribute around 38.19% of its total revenues in FY19.

Key Rating Weaknesses:

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Moderate scale of operations with constrained profitability

Total income for PJPL increased by 3.18% from Rs.351.17 crore in FY18 to Rs. 362.36 crore in FY19 on account of better domestic sales in FY19. PJPL reported stable PBILDT margins of 4.45% in FY19 vis-à-vis 4.51% in FY18. PAT margin remained constrained to 0.64% in FY19 vis-à-vis 0.68% in FY18.

Moderate financial risk profile

The debt profile of PJPL comprises of working capital bank borrowings and unsecured loans from the promoters (Non-interest Bearing). Overall gearing ratio is constrained, however it has improved from 1.25x in FY18 to 1.18x in FY19 on account of accretion to net worth due to healthy profits. Total Debt to GCA remained constrained at 29.49x in FY19 compared to 25.30x in FY18. Total Outside liabilities to Net Worth also remained constrained at 1.85x in FY19 vis-à-vis 1.89x in FY18. Interest coverage ratio remained healthy at 1.49x in FY19 from 1.37x in FY18.

Foreign exchange fluctuation risk

Export sales contributed to about 31.33% of total sales in FY19 for PJPL. To some extent, priority group naturally hedges this risk as procurement of raw material i.e. gold is also in foreign exchange. As such the operational performance of PJPL is exposed to foreign exchange fluctuation risk.

Susceptibility to volatility in raw material prices

PJPL is not a DTC sight holder. It procures polished diamonds largely from open market. However the company procures gold metal loan from banks to mitigate risk of volatility in gold prices.

Liquidity: Moderate

With accretion to networth, overall gearing improved from 1.25x in FY18 to 1.18x in FY19. The relatively moderate working capital cycle was stretched from 157 days in FY18 to 163 days in FY19 on account of increase in inventory period. Inventory holding period increased from 112 days in FY18 to 120 days in FY19. Collection period increase from 95 days to 101 days was set of by creditor period increase from 51 days in FY18 to 59 days in FY19. Working capital utilisation of PJPL remained fully utilized at 91-100%. The company reported cash balance of Rs. 5.29 Crore as on 31st March 2019.

Analytical approach: Standalone. CARE has adopted a standalone approach since its subsidiary Priority Gold Private Limited is closed and the process of merger has been initiated. Credit rating for PGPL has been withdrawn on February 26, 2020 on the basis of 'No Dues Certificate' by the lender.

Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Manufacturing Companies
Short Term Instruments
Financial ratios – Non-Financial Sector

About the Company

Incorporated on October 12, 2007 Priority Jewels Private Limited (PJPL) commenced operations on January 16, 2008. PJPL is engaged in the manufacturing and selling of diamond studded and gold/silver/platinum jewellery. The manufacturing facilities are in the premises of its registered office in MIDC, Andheri (Mumbai).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	351.17	362.36
PBILDT	15.83	16.13
PAT	2.40	2.30

Overall gearing (times)	1.25	1.18
Interest coverage (times)	1.53	1.49

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based/Non-fund-based-LT/ST	-	-	-	110.00	CARE BBB; Stable / CARE A3+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based/Non-fund-based-LT/ST	LT/ST	110.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (28-Jan-19) 2)CARE BBB; Stable / CARE A3+ (03-Apr-18)	1)CARE BBB-; Stable / CARE A3 (03-May-17)	-

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact

Mradul Mishra
Contact no: – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name - Mr. Hitesh M Avachat
Group Head Contact no: - 022-6754 3510
Group Head Email ID- hitesh.avachat@careratings.com

Relationship Contact

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

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