



## Press Release

### Prism Enterprises Private Limited (PEPL)

December 18, 2023

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	107.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	2.50	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>109.50</b>	<b>(Rupees One Hundred Nine Crore and Fifty Lakhs only)</b>		

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Prism Enterprises Private Limited (PEPL) derive strength from improvement in scale of operations with stable margins, comfortable debt protection metrics and extensive experience of promoters in jewellery business. The ratings strengths are, however, constrained by exposed to intense competition from organised and unorganised players and susceptible to regulatory changes in India.

#### Key Rating Sensitivities:

##### Upward Factors

- Consistent growth in its scale of operations above Rs. 350.00 crore along with improvement in PBILD margin to over 6% on a sustained basis
- Improvement in working capital management with improvement in liquidity.
- Improvement in the capital structure with overall gearing remain below unity level on a sustained basis.

##### Downward Factors

- Moderation in operating income and/or profitability and cash accrual impacting the debt protection metrics on a sustained basis.
- Stretch in the working capital cycle impacting the financial risk profile, particularly liquidity.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Improvement in scale of operations with stable margins

PEPL's revenue has increased by ~21% and remained at Rs.307.19 crore in FY23 (FY22: Rs.253.38 crore) on account of healthy growth in India's exports of diamond-studded gold jewellery, improved price realizations, expansion in new territories and newer customers. Further during 8MFY24 (*period refers from April 01, 2023 to November 30, 2023*) PEPL has achieved revenue of Rs. 225.63 crore which is in line with its projected revenue.

The EBITDA margin of the PEPL have remained stable at 5.89% in FY23 (FY22: 5.99%) on account of stock adjustment, however EBITDA margin has improved to 7.01% in 8MFY24 as the company focused on the products commanding higher average selling price.

##### Average financial risk profile marked by improvement in capital structure and debt coverage indicators.

The capital structure marked by overall gearing and total outside liabilities / Tangible Net Worth (TOL/TNW) has improved to 1.59x and 1.98x respectively in FY23 (FY22: 2.01x and 2.45x respectively) owing to an increase in the tangible net-worth base on the back of accretion of profits coupled with an increase in the quasi equity from Rs.30.00 crore in FY22 to Rs.37.00 crore in FY23. Further despite increase in interest cost, the interest coverage ratio has marginally improved to 1.47x in FY23 (FY22: 1.40x) owing to improvement at operating profit level. Total debt to GCA also improved to 20.13x in FY23 (FY22: 24.09x) due to repayment of term loan and unsecured loans.

##### Long track record of the operation and extensive experience of the promoters in jewellery business

Incorporated in 1999, PEPL has established its presence in gems and jewellery business. PEPL is a family-owned business headed by Mr. Jitendra Bhansali having an experience of more than three decades in the jewellery business, along with his sons Mr. Nirav Jitendra Bhansali. The extensive experience of the promoter has enabled PEPL to establish healthy relationship with its reputed clientele. Namely Tanishq, Kalyan Jewellers, Orra Fine Jewellery Private Limited and P N Gadgil Jewellers Private Limited.

#### Key Rating Weaknesses



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### **Exposed to intense competition from organised and unorganised players**

Revenue and profitability are susceptible to intense competition in the jewellery industry, and to volatility in gold and diamond prices. It faces severe competition from local players and from other national brands. Jewellery retailing in India is largely dominated by unorganized players which have a stronghold in their regions. Jewellery sector had seen heightened regulatory action in the past, and the company will continue to remain susceptible to changing regulatory norms. The competitive and fragmented nature of the industry impacts the company's profit margins.

### **Susceptible to regulatory changes in India**

Gold is an important commodity traded in the international market, so trading in gold and gold jewellery is highly influenced by several government policies and regulations, which change from time to time.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Criteria of Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

### **Liquidity – Adequate**

The liquidity position of the company remains adequate as PEPL generates sufficient cash accruals in order to meet its debt obligations. The average working capital utilisation remains around 90% during the past 12 months ended as on September 2023. The current ratio and quick ratio stood at 1.65x and 0.38x respectively, as on March 31, 2023.



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### About the Company

Prism Enterprises Private Limited (PEPL) incorporated in the year 1999 is engaged in designing, manufacturing of diamond-studded gold and platinum jewellery. PEPL was promoted by Mr. Jitendra K. Bhansali who ventured into the diamond business since 1963 through his entity J.K. Bhansali & Co (JKBC) and was later supported by Prism Jewellery which has an established presence within the domestic as well as international market as a leading Indian jewellery manufacturer.

### Financials (Standalone):

For the year ended / As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	253.38	307.19
EBITDA	15.18	18.10
PAT	2.73	3.93
Total Debt	128.89	119.19
Tangible Net-Worth	64.21	75.15
<b>Ratios</b>		
EBITDA Margin (%)	5.99	5.89
PAT Margin (%)	1.07	1.27
Overall Gearing Ratio (x)	2.01	1.59

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based – Cash Credit	Long Term	107.00	IVR BBB-/ Stable	--	--	--
2.	Non fund Based – Bank Guarantee	Short Term	2.50	IVR A3	--	--	--

**Name and Contact Details of the Analytical Team:**



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### **About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### **Annexure 1: Details of Facilities**



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – Cash Credit*	--	--	--	107.00	IVR BBB-/ Stable
Short Term – Non-Fund Based – Bank Guarantee	--	--	--	2.50	IVR A3

\*Sub-limit of Gold Metal Loan: Rs. 35.00 crore, Overdraft: Rs. 12.20 crore, Working Capital Demand Loan: Rs. 72.00 crore and Post – Shipment Credit in Foreign Currency: Rs. 20.00 crore.

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Prism-dec23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).