



Press Release

Nuance Jewel Private Limited

December 03, 2020

Ratings

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term/Short Term Bank Facilities	29.50	IVR BB+/ Stable/IVR A4+ (IVR Double B Plus with Stable Outlook/IVR A Four Plus)	Assigned
2	Short Term Bank Facilities	2.00	IVR A4+ (IVR A Four Plus)	Assigned
	Total	31.50 (Rs. Thirty one crore and fifty lakhs only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Nuance Jewel Private Limited (NJPL) derives comfort from extensive experience of its promoters in the Jewellery business, established relationship with overseas customer, prudent risk mitigation measures in place to manage the volatility in gold prices and its prudent working capital management. The ratings also note its comfortable capital structure with healthy debt protection metrics. These rating strengths are partially offset by susceptibility of its business to regulatory changes in India & overseas along with exposure to intense competition from organised and unorganised players.

Rating Sensitivities

Upward factors

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals on sustained basis
- Improvement in the capital structure and debt protection metrics.

Downward Factors

- Deterioration in scale of operation coupled with deterioration in profitability on a sustained basis and/or impairment in liquidity position
- Deterioration in the capital structure and/or moderation in the debt protection metrics.
- Any negative regulatory changes.

Detailed Description of Key Rating Drivers



Press Release

Key Rating Strengths

- **Extensive experience of the promoters in the Jewellery Business**

NJPL was promoted by Mr. Saumil Ajay Kumar Choksi (Managing Director) having an experience of around two decades in the jewellery business. He looks after the overall business operations of the company and is ably supported by his son, Mr. Mayur Harilal Choksi having experience of about a decade in jewellery business.

- **Established relationship with overseas customers**

The Company exports jewellery to overseas customers primarily to USA. NJPL's established relationship with its clients helps it to generate repeat orders. Export contributes ~100% of its total sales in FY20.

- **Prudent risk mitigation measures in place**

The company's primary source of funding is gold metal loan (GML), wherein it procures gold physically from banks and fixes the notional price while taking it from bank. They fix the price, once the price is fixed by its customers, thereby minimizing risk with respect to fluctuation in gold prices.

- **Prudent working capital management**

The Company has an effective receivables management system. Receivables were range bound from 50 to 70 days in the past three fiscals. The working capital requirement of the company is mainly funded through credit period availed from its creditors based (i.e. ranging between 80-110 days) on the basis of its established relationship. The company has high bargaining power with its major wholesalers due to established relationship with them. Average of maximum utilisation of the working capital limit remains comfortable at around ~17% for last 12 months ended September 30, 2020.

- **Comfortable capital structure with healthy debt protection metrics**

The total debt of the company comprises secured loans from banks and financial institutions. The capital structure of the company remains comfortable and stable as indicated by long term debt equity ratio and overall gearing at 0.17x and 0.18x respectively as on March 31, 2020 as compared to 0.19x and 0.20x respectively as on March 31, 2019. The debt protection metrics of the company remains strong and stable marked by the interest coverage ratio at 7.52x in FY20 as compared to 7.75x in FY19 and Total debt to GCA of 0.41 years in FY20 as



Press Release

compared to 0.35 years in FY19. However, the total indebtedness of the company remained moderate marked by TOL/ANW at 4.79x as on March 31,2020.

Rating Weaknesses

- **Susceptible to regulatory changes in India and overseas**

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

- **Exposed to intense competition from organized and unorganized players**

The jewellery industry in India is highly fragmented with presence of numerous unorganized players, apart from some very large integrated G&J manufacturers leading to highly competitive industry. The company faces stiff competition from both organized as well as unorganized players. The competitive and fragmented nature of the industry impacts the company's profit margins.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial sector)

Liquidity: Adequate

The liquidity of NJPL is expected to remain adequate with no long-term debt repayment in FY21 and in FY22. Average of maximum utilisation of the working capital limit remains comfortable at around ~17% for last 12 months ended September 30, 2020 indicating an adequate liquidity buffer. Further, expected adequate cash accruals with no planned CAPEX imparts comfort.

About the Company

Nuance Jewel Private Limited (NJPL) is promoted by Mr Saumil Choksi and Mr Mayur Choksi. It is engaged in manufacturing and export of diamond jewellery primarily to US. The registered office of NJPL is located at 1stFloor, GJ-06, SDF-VII, SEEPZ Andheri (E), Mumbai. The manufacturing unit measuring 13,500 sq.ft. is based out in the same premises spreading across three floors (two in basements and one in 1st Floor). The company is heavily inclined



Press Release

on exports. They usually procure gold from banks and financial institution through Gold Metal Loans available. They also source diamonds locally from Bharat Diamond Bource but are billed in foreign currency which enables them to naturally hedge their foreign exchange risks substantially.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional [^]
Total Operating Income	208.33	205.90
EBITDA	6.39	6.45
PAT	3.19	3.72
Total Debt	1.41	1.94
Tangible Net worth	7.09	10.86
EBITDA Margin (%)	3.07	3.13
PAT Margin (%)	1.53	1.81
Overall Gearing Ratio (x)	0.20	0.18

*Classification as per Infomerics' standards

[^] CA Certified

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 Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit/PCFC	Long Term/Short Term	29.50	IVR BB+/Stable	-	-	-
2.	LC	Short Term	2.00	IVR A4+			

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit/PCFC	-	-	-	29.50	IVR BB+/Stable
LC	-	-	-	2.00	IVR A4+