



Press Release

Saj Jewellery Private Limited

March 01, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities (Proposed)	1.00	IVR BB / Negative (IVR Double B with Negative Outlook)	Reaffirmed with revision in outlook from Stable to Negative
Short Term Bank Facilities	10.50	IVR A 4 (IVR A Four)	Revised from IVR A4+ (IVR A Four Plus)
Total	11.50 (Rupees eleven crore and fifty lakhs only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the short term rating assigned to the bank facilities of Saj Jewellery Private Limited, a part of Jinaehat Group considers moderation in the group's operating performance in FY20 and consequent deterioration in its overall financial risk profile. Further, the rating downgrade also takes into account the subdued performance of the group in 10MFY21 amidst impact of Covid pandemic impacting its liquidity profile. However, the reaffirmation of long term rating assigned to the bank facilities continues to derive comfort from its experienced promoters, established relationship with overseas customers, order backed nature of business and in place prudent risk mitigation measures though these rating strengths are tempered by working capital intensive nature of its operation, presence in a regulated and competitive industry coupled with groups exposure to high geographical & customer concentration risk. The revision in outlook from stable to negative is due to expected moderation in Jinaehat groups financial performance in the near term.

Key Rating Sensitivities

Upward Factor:

- Growth in scale of operations with improvement in profitability on a sustained basis



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- Improvement in the capital structure with improvement in overall gearing ratio to below 2.5x

Downward factor:

- Moderation in scale of operations and/or profitability impacting the debt protection metrics on a sustained basis
- Elongation of operating cycle impacting the liquidity
- Moderation in the capital structure with further deterioration in overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the Jewellery Business

The Jinaehat group was promoted by Mr. Ram Kumar Jaiswal (Managing Director) having an experience of more than two decades in the jewellery business. He looks after the overall business operations of the company. He is ably supported by his nephew Mr. Krishna Jaiswal and his wife Papiya Jaiswal, having experience of about 14 years and 20 years respectively in the same line.

Established relationship with overseas customers

The Group exports jewellery to the UAE-based wholesalers which in turn supply to wholesalers in other countries as the UAE is the hub of international trade in gold. The Group's established relationship with its clients in the UAE helps generate repeat orders.

Order backed nature of business

The group's operations are order backed in nature, wherein it receives orders from its export customers based on which it procures gold from banks, leading to minimal inventory holding risk with respect to the +manufacturing segment.

Prudent risk mitigation measures in place

The group'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



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gold prices. Further, the price of gold is fixed in USD with banks as well as with its export customers, thereby providing a natural hedge with respect to foreign exchange fluctuations.

Key Rating Weaknesses

Decline in scale of operation coupled with decline in profitability

On a consolidated basis, the total operating income of the group declined by 21.79% y-o-y in FY20 to Rs.164.81 crore from Rs.210.73 crore in FY19 owing to subdued demand and impact of Covid pandemic in Q4FY20. The group is into 100% export business and due to Covid 19 pandemic, there was lockdown in major part of all the countries since February 2020, which effected export of the group to a greater extent. With decline in top line, EBITDA margin also declined from 3.15% in FY19 to 2.92% in FY20. However, with decline in finance charges, PAT margin improved to 0.69% in FY20 from 0.60% in FY19. Till February 15, 2021, the group has achieved combined revenue of Rs.82.49 crore. The groups operating income is affected due to lockdown in Q1 and Q2 of FY21.

Leveraged capital structure and moderate debt protection metrics

On a consolidated basis, the group's capital structure continued to remain leveraged, marked by overall gearing of 3.76x as on March 31, 2020 (3.33x as on March 31, 2019). However, the group has minimal long-term debt and its total debt consists mainly of working capital borrowings, mainly in the form of Gold Metal Loan availed from banks. Driven by its working capital borrowings and low cash accruals, Total debt/gross cash accruals stood high at 72.27 years as on March 31, 2020 (54.45 years as on March 31, 2019). The debt protections parameters are also moderate, marked by interest coverage ratio of 1.34x in FY20 (1.30x in FY19) and DSCR of at 1.32x in FY20 (1.26x in FY19).

High geographical and customer concentration risks

The Group remains exposed to high geographical concentration risks as almost the entire revenue is derived from the UAE. Moreover, the Group's clientele comprises only a few large wholesalers, giving rise to client concentration risks.

Regulated Industry

To some extent, the group will remain exposed to regulatory risks in the jewellery segment.



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Presence in a highly fragmented and competitive jewellery industry

The jewellery industry in India is highly fragmented with presence of numerous unorganised players, apart from some very large integrated G&J manufacturers leading to high competitive intensity.

Working capital intensive nature of operation

On a consolidated basis, the group extends a credit period of around 3-4 months to its customers, whilst holding an inventory of around 15 days. The group pays to its suppliers in around 20-25 days, resulting in a cash conversion cycle of 184 days during FY20. Further, average utilisation of its group also stood high at ~87% during the past 12 months ended December 31, 2020.

Analytical Approach: Consolidated. For arriving at the ratings, INFOMERICS analytical team has combined the financials of Jais Jewellery Pvt Ltd (JJPL), Jinaehat Export Pvt Ltd (JEPL), and Saj Jewellery Pvt Ltd (SJPL) commonly referred as Jinaehat Group as these companies have a common management team and operational & financial linkages.

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Stretched

The Jinaehat group on a combined basis has stretched liquidity marked by lower cash accruals against repayment obligations of covid loans with average utilisation of fund based limits of 87.09% during the past 12 months ended December 2020. The group had free cash and bank balance of Rs.1.53 crore as on March 31, 2020.

About the Company

Incorporated in 2009, Saj Jewellery Private Limited (SJPL) is involved in manufacturing and export of gold jewellery, primarily to the UAE. SJPL is a part of the Jinaehat Group, which includes two more companies, Jinaehat Export Private Limited and Jais Jewellery Private Limited, incorporated in 2002 and 2010, respectively, and are involved in the same line of business. All the three companies have been promoted by one Jaiswal family based in Kolkata, West Bengal, who has more than two decades of experience in the gold business.



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Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	26.46	20.51
EBITDA	0.91	0.50
PAT	0.16	0.26
Total Debt	10.07	9.77
Tangible Net worth	2.74	3.00
EBITDA Margin (%)	3.43	2.42
PAT Margin (%)	0.60	1.23
Overall Gearing Ratio (x)	3.67	3.26

Financials (Combined):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	210.73	164.81
EBITDA	6.64	4.81
PAT	1.27	1.13
Total Debt	71.04	84.41
Tangible Net worth	21.32	22.46
EBITDA Margin (%)	3.15	2.92
PAT Margin (%)	0.60	0.69
Overall Gearing Ratio (x)	3.33	3.76

*Classification as per Infomerics' standards.

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

Any other information: Nil

Rating History for last three years with Infomerics:

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.	Proposed Facility	Long Term	1.00	IVR BB/ Negative	IVR BB/ Stable	-	-



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		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
					(December 27, 2019)		
2.	Packing Credit	Short term	5.25	IVR A4	IVR A4+ (December 27, 2019)	-	-
3.	FDBP/FUBD/REBA	Short Term	5.25	IVR A4	IVR A4+ (December 27, 2019)	-	-

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
Proposed Long Term Facility	-	-	-	1.00	IVR BB/ Negative
Packing Credit	-	-	-	5.25	IVR A4
FDBP/ REBA FUBD/	-	-	-	5.25	IVR A4