

June 01, 2017

Prism Jewellery

Summary of rated instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Long-term – Fund-based	13.40	[ICRA]BB-(Stable), Assigned
Short-term – Non-fund Based	1.05	[ICRA]A4, Assigned
Long-term and Short-term – Unallocated	0.55	[ICRA]BB-(Stable)/ [ICRA]A4, Assigned
Total	15.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the long-term rating of [ICRA]BB- (pronounced ICRA double B minus) to the Rs. 13.40 crore¹ fund based bank facilities and a short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 1.05 crore non-fund based bank facilities of Prism Jewellery (PRJ)². The outlook assigned on the long-term rating is 'Stable'. ICRA has also assigned the long-term and short-term ratings of [ICRA]BB- and [ICRA]A4 to the unallocated limits of Rs. 0.55 crore.

Rationale

The assigned ratings take into consideration PRJ's modest scale of operations and high working capital intensive nature of operations led by high inventory levels and slow debtor realisations. The rating is further constrained by the firm's exposure to high geographic and customer concentration risks. ICRA, however, notes that the firm is exposed to intense competition from a large number of organized and unorganized players, keeping margins under check. Additionally, the ratings take into account the vulnerability of PRJ's margins to movement in gold and diamond prices on account of high inventory levels.

The assigned ratings, however, favorably take into account the extensive experience of the promoters in the gems and jewellery industry, PRJ's reputed clientele from whom it continues to receive repeat orders as well as fiscal benefits and duty exemptions it is entitled to receive because of its location in an export promotion zone.

Key rating drivers

Credit strengths

- Experienced promoters and long track record in the gems and jewellery business
- Established and reputed client base from where it continues to receive repeat orders
- Fiscal benefits from its location in a Special Economic Zone (SEZ)

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Credit weaknesses

- Modest scale of operations
- Concentrated geographic and customer base
- High working capital intensive nature of operations due to slow debtor realisations and high inventory levels
- Industry characterised by strong competition from unorganised as well as organised players, which limits the pricing power to an extent.
- Susceptibility of margins to fluctuations in prices of gold and diamonds and foreign currency
- Risks inherent with the partnership concern, wherein any substantial withdrawals from capital account would impact the capital structure

Description of key rating drivers:

The management's vast experience of more than two decades in the industry has enabled the firm to leverage its established relationships with suppliers as well as reputed customers. It also derives various fiscal benefits from the presence of its manufacturing unit in the export promotion zone.

PRJ's scale of operations continues to remain modest as reflected by operating income of Rs. 26.49 crore in FY2016 and Rs. 27.50 crore in FY2017 (provisional). The export profile of the firm shows high dependence of revenues towards UAE and USA contributing 93% of the total sales in FY2015 and FY2016 respectively. Further, the top ten customers accounted for 84% of the total sales in FY2015 and FY2016 respectively exhibiting a high client concentration risk. High competitive intensity inherent in the gems and jewellery business further exerts pressure on the firm's profitability. Furthermore, due to its constitution as a partnership firm, any significant withdrawals from the partner's capital account could adversely impact the firm's credit profile.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:**Corporate Credit Ratings: A Note on Methodology****About the company:**

Prism Jewellery (PRJ) was established in 2002 and commenced operations from 2004. It is promoted by Mr. Jitendra Bhansali and Mr. Nirav Bhansali who have an overall experience of more than 25 years in the gems and jewellery industry. The company is part of the Bhansali Group, which has been present in the cut and polished diamonds industry since 1963. It has a group concern – Prism Enterprises Private Limited which is also engaged in the designing and manufacturing of diamond studded gold jewellery rated at [ICRA]BB- (Stable) and [ICRA]A4.

The company is engaged in the designing, manufacturing and exporting of diamond studded gold jewellery. The product profile majorly includes bangles, bracelets, necklaces, pendants, and earrings, etc. The company's registered office and manufacturing units are located at the Santa Cruz Electronic Processing Zone (SEEPZ) in Andheri, Mumbai.

The company reported a net profit of Rs. 1.19 crore on an operating income of Rs. 26.49 crore in FY2016 and an operating income of Rs. 27.50 crore in FY2017 (provisional).

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				June 2017			
1	PSC/EBRD	Long-term	13.40	[ICRA]BB-(Stable)	Not Applicable		
2	PC/PCFC		4.95 [#]				
3	PC DDA / Collection Bills		13.40*				
4	Direct Bills		13.40*				
5	Associate Bills		2.15				
6	Guarantees	Short-term	0.05	[ICRA]A4			
7	Forward Contract		1.00				
8	Unallocated Limits	Long-term and Short-term	0.55	[ICRA]BB-(Stable)/[ICRA]A4			

*sublimit of PSC

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
PSC/EBRD	-	-	-	13.40	[ICRA]BB- (Stable)/
PC/PCFC	-	-	-	4.95*	[ICRA]BB- (Stable)/
PC DDA / Collection Bills	-	-	-	13.40*	[ICRA]BB- (Stable)/
Direct Bills	-	-	-	13.40*	[ICRA]BB- (Stable)/
Associate Bills	-	-	-	2.15*	[ICRA]BB- (Stable)/
Guarantees	-	-	-	0.05	[ICRA]A4
Forward Contract	-	-	-	1.00	[ICRA]A4
Unallocated Limits	-	-	-	0.55	[ICRA]BB- (Stable)/ [ICRA]A4

*Sublimit of PSC
Source: Prism Jewellery

Contact Details

Analyst Contacts

Subrata Ray
+91 22 6114 3408
subrata@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Rupa Pandey
+91 22 6114 3456
rupa.pandey@icraindia.com

Kishore Patil
+91 22 6114 3450
kishore.patil@icraindia.com

Relationship Contact

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

© Copyright, 2017, ICRA Limited. All Rights Reserved
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500