

P. Mangatram Jewellers Private Limited

April 02, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based	66.50	66.50	[ICRA]BB+ (Stable);
Unallocated	10.50	0.50	Outstanding
Short-term fund based		15.00	[ICRA]A4+; Assigned
Short-term fund-based (sub-limit)	(46.50)	(46.50)	[ICRA]A4+; Outstanding
Total	77.00	82.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) to Rs. 15.00-crore fund based facilities of P. Mangatram Jewellers Private Limited (PMJPL or the company). ICRA also has the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) outstanding on the Rs. 66.50-crore¹ fund based facilities, and Rs. 0.50-crore (revised from Rs. 10.50-crore) unallocated limits and short-term rating of [ICRA]A4+ for Rs. 46.50-crore (sublimit) fund-based limits of PMJPL of P. Mangatram Jewellers Private Limited (PMJPL or the company)². The outlook on the long-term rating is 'stable'.

Rationale

The ratings consider the long-standing experience of the promoters in the jewellery industry, established relationships of the company with its customers and reputed customer base in the domestic market. The ratings, however, are constrained by the moderate scale of operations of the company in a highly fragmented and competitive market which limits the pricing power. The ratings also factor in susceptibility of revenue growth and margins to regulatory risks as witnessed in FY2016, volatility in gold prices and other macro economic factors which impact the discretionary spending of end customers. The ratings take into account the moderate financial profile of the company characterized by thin margins and moderate coverage indicators.

Outlook: Stable

ICRA believes PJMPL will continue to benefit from the extensive experience of its promoters and its reputed customer base. The outlook may be revised to 'Positive' if substantial growth in revenue and profitability, and better working capital management, strengthens the financial risk profile. The outlook may be revised to 'Negative' if cash accrual is lower than expected, or if any major capital expenditure, or stretch in the working capital cycle, weakens liquidity.

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

Key rating drivers

Credit strengths

Significant experience of the promoters in the jewellery industry – The promoters have over two decades of experience in the jewellery industry leading to established relationships with customers supporting the repeat orders from existing clients.

Reputed customer base – The domestic customer base of the company includes reputed players such as Joyalukkas India Private Limited, Titan Company Limited for its Tanishq brand, the Malabar Group and GRT Jewellers (India) Private Limited. The company gets repeat orders from these clients. PJMPL exports to players in Middle East (accounts for majority of exports), USA, UK, New Zealand, etc.

Credit challenges

Moderate financial profile – The financial profile of the company is characterised by thin margins, high gearing, and moderate coverage indicators. The operating margins declined in FY2016 and FY2017 owing to high employee expenses and expenses incurred towards the pure gram unit. Lower margins lead to moderation in coverage indicators such as Total Debt/OPBITDA and NCA/Total debt. However, gearing improved over the last two years supported by accruals.

Fragmented and competitive industry - The company operates in a fragmented industry, wherein it faces stiff competition from other organised and unorganised players.

Moderate scale of operations – With revenues of Rs. 286.2 crore in FY2017, the scale of operations of the company is moderate limiting the financial flexibility. While the company witnessed healthy (annualised) revenue growth of 14.4% in 9M FY2018, overall growth for FY2018 would be moderated owing to subdued demand in Q4 FY2018.

Susceptible to fluctuations in gold prices and regulatory risks - The revenue growth and the profitability of the business remain susceptible to volatile gold prices which are in turn impacted by the regulatory interventions, wherein any adverse policy decision leading to unfavourable movement in gold prices could impact the demand prospects and profitability negatively.

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

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

P. Mangatram Jewellers Private Limited (PMJPL), incorporated in 2005 by Mr. Sanjay Gulabani, is engaged in manufacturing of gold jewellery studded with diamonds and precious stones. The company was operated as a proprietorship concern from 2004 till it got converted to a private limited company in 2005. PMJPL sells to retailers in India and also exports to customers in Middle East and United States of America (USA). The day to day operations are managed by promoter and his brother, Mr. Amit Gulabani.

Key financial indicators (audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	272.9	286.2
PAT (Rs. crore)	5.2	4.3
OPBDIT/ OI (%)	3.9%	3.4%
RoCE (%)	15.8%	12.2%
Total Debt/ TNW (times)	1.64	1.50
Total Debt/ OPBDIT (times)	6.17	6.94
Interest coverage (times)	1.27	1.39
NWC/ OI (%)	20.0%	23.3%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2018)						Chronology of Rating History for the past 3 years	
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating April 2018	Date & Rating October 2017	Date & Rating in FY2017 April 2016	
1 Long-term fund-based	Long Term	66.50		[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	-
2 Unallocated	Long Term	0.50		[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	-
3 Short-term fund based	Short Term	15.00		[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	-
4 Short-term fund-based (sub-limit)	Short Term	(46.50)		[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	-

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

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term fund-based	NA	NA	NA	66.50	[ICRA]BB+ (Stable)
NA	Unallocated	NA	NA	NA	0.50	[ICRA]BB+ (Stable)
NA	Short-term fund based	NA	NA	NA	15.00	[ICRA]A4+
NA	Short-term fund-based (sub-limit)	NA	NA	NA	(46.50)	[ICRA]A4+

Source: PJMPL

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