Jinaehat Export Private Limited

June 27, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Short Term Bank Facilities	30.00 (enhanced from Rs.26.00 crore)	IVR A4+ (IVR A four plus)	Revised from IVR A4 (IVR A four)	Simple
Total	**30.00 (INR Thirty crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision of the ratings assigned to the bank facilities of Jinaehat Export Private Limited (JEPL) continues to consider the common management team and operational & financial linkages between JEPL and its group companies Jais Jewellery Private Limited (JJPL) and Saj Jewellery Private Limited (SJPL). Infomerics has taken a consolidated view of these entities referred together as Jinaehat group is driven by improvement in the topline along with profitability in FY22 and FY23 (prov.). Further, the ratings continue to derive strength from its experienced promoters, established relationship with overseas customers, order backed nature of business and in place prudent risk mitigation measures. However, these rating strengths continues to remain constrained by leveraged capital structure and moderate debt protection metrics, high geographical and customer concentration risks, working capital intensive nature of its operation, presence in a regulated and competitive industry coupled with groups exposure to high geographical & customer concentration risk.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis
- Improvement in the capital structure with improvement in overall gearing ratio to below 2x.
- Improvement in liquidity.

Downward Factors

- Moderation in revenue and/or moderation in profitability impacting the gross cash accruals on a sustained basis.
- Moderation in the capital structure with further deterioration in overall gearing to over 3x
- Elongation of operating cycle impacting the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters in the jewellery business**

The 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 25 years and 15 years respectively in the same line.

- **Improvement in the topline along with profitability**

The total operating income of the company improved with a CAGR of ~28% during the last three years FY21 to FY23 and the topline grew by 24% y-o-y basis and stood at Rs.184.85 crore in FY23(prov.) as compared to Rs.112.33 crore in FY21 (Rs. 149.60 crore in FY22). The increase in operating income is driven by increase in export sales post covid 19 pandemic lead by the rise in the demand given the festivals and marriages resuming after pandemic. With the rise in the topline EBIDTA and PAT increased to Rs.5.69 crore and Rs.1.77 crore in FY23 respectively from Rs.4.95 crore and Rs.0.93 crore in FY22 respectively. Although EBITDA margin moderated to 3.08% in FY23 (prov.) from 4.41% in FY21 due to rise in the gold prices with the increase in the import duty. PAT margin improved to 0.96% in FY23(prov.) as compared to 0.83% FY21 due to decline in the interest expenses with the repayment of the GECL loans.

- **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 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

- **Leveraged capital structure and moderate debt protection metrics**

On a consolidated basis, the group's capital structure continued to remained moderate, marked by overall gearing of at 2.08x as on March 31, 2023 same as March 31, 2021 and improved from 2.53x in March 31, 2022. The total indebtedness of the group improved to 2.32x as on in March 31, 2023 (prov.) from 2.35x as on March 31, 2021. The debt protections parameters remained moderate and improved marginally marked by the interest coverage ratio of 1.68x in FY23(prov.) from 1.35x in FY21 due to reduction in GECL loans and increased cash accruals, Total debt/gross cash accruals improved to 30.64 years in FY23 (prov.) from stood high at 50.52 years in FY21.

- **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. This sector had seen heightened regulatory initiatives in the past. For instance, during fiscal 2014, to curb the import of gold, the government introduced 80:20 rule, discontinued gold on lease scheme and modified the gold deposit scheme. Subsequently, in fiscal 2015, the gold on loan scheme was re-started and 80:20 rule was scrapped. Further, since January 2016, the government has mandated jewellers to collect PAN card for all purchases beyond Rs.2 lakhs. The government has also introduced the sovereign gold bond scheme to shift consumer preferences away from physical gold.

- **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. However, larger integrated G&J players with strong sourcing relationships for raw material (e.g. DTC sight holders or those having direct arrangement with other diamond mining companies), superior marketing network, geographically diversified clientele and a conservative forex/working capital management policy are likely to exhibit more stable credit profiles.

- **Working capital intensive nature of operation**

The group extends a credit period of around 4-5 months to its customers and maintained inventory of around 30 days in FY23(prov.). The group pays to its suppliers in around 25-30 days, resulting in a cash conversion cycle of 106 days during FY23 (prov.) and improved from 133 days in FY21. Further, average utilization of its group also stood high at ~94% during the past 12 months ended March 31, 2023.

Analytical Approach: Consolidated

For arriving at the ratings, INFOMERICS analytical team has combined the financials of Jais Jewellery Private Limited (JJPL), Jinaehat Export Private Limited (JEPL), and Saj Jewellery Private Limited (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)

Criteria for assigning rating outlook

Liquidity –Adequate

The group is expected to have an adequate liquidity marked by its adequate cash flow and gross cash accruals as against its nil debt repayment obligations in the near term. Further, the group has average utilisation of fund-based limits at ~94% during the past 12 months ended March 2023 indicating a moderate liquidity buffer.

About the Company

Incorporated in 2002, Jinaehat Export Private Limited (JEPL) is involved in manufacturing and export of gold jewellery, primarily to the UAE. JEPL is a part of the Jinaehat Group, which includes two more companies, Jais Jewellery Private Limited and Saj Jewellery Private Limited, incorporated in 2010 and 2009, 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.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Provisional
Total Operating Income	46.62	51.79
EBIDTA	1.66	1.67
PAT	0.37	0.69
Total Debt	14.58	12.47
Tangible Net Worth	7.28	8.01
Adjusted Tangible Net Worth	7.28	8.01
EBDITA Margin (%)	3.56	3.22
PAT Margin (%)	0.80	1.33
Interest Coverage	1.47	2.22
Overall Gearing Ratio (x)	2.00	1.56

**Classification as per Infomerics' standards*

Financials (Consolidated):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Provisional
Total Operating Income	149.60	184.85
EBIDTA	5.09	5.69
PAT	1.02	1.77

Total Debt	61.69	55.92
Tangible Net Worth	24.41	26.85
Adjusted Tangible Net Worth	24.74	26.85
EBDITA Margin (%)	3.40	3.08
PAT Margin (%)	0.68	0.96
Interest Coverage	1.37	1.68
Overall Gearing Ratio (x)	2.53	2.08

**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 (March 31, 2022)	Date(s) & Rating(s) assigned in 2020-21 (March 01, 2021)
1.	PC/PCFC	Short term	7.50	IVR A4+	-	IVR A4	IVR A4
2.	FDB/FBE	Short Term	19.50	IVR A4+	-	IVR A4	IVR A4
3.	Bank Guarantee	Short Term	3.00	IVR A4+	-	IVR A4	IVR A4

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
PC/PCFC	-	-	-	7.50	IVR A4+
FDB/FBE	-	-	-	19.50	IVR A4+
Bank Guarantee	-	-	-	3.00	IVR A4+

Annexure 2: List of companies considered for consolidated analysis:

Name of the company	Consolidation Approach
Jais Jewellery Private Limited	Full Consolidation
Jinaehat Export Private Limited	Full Consolidation
Saj Jewellery Private Limited	Full Consolidation

Annexure 3: Facility wise lender details https://www.infomerics.com/admin/prfiles/Lender-27062023-JEPL.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.