Press Release

Padmavati Chains and Jewels Private Limited

(Erstwhile PADMAVATI CHAINS PRIVATE LIMITED)

February 20, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities-CC	150.00 (enhanced from Rs.98.00 crore)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed	Simple
Long Term Bank Facilities-Term loan (GECL)*	1.58	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed	Simple
Total	**Rs 151.58 crore (Rupees One hundred and fifty-one crore and fifty- eight Lakh only)**				

*One term loan (GECL) fully repaid and NDC received from the lender and accordingly at the request of the company Infomerics has withdrawn rating on the same..

Details of Facilities/Instruments areas in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its ratings on the bank facilities of Padmavati Chains and Jewels Private Limited (Erstwhile Padmavati Chains Private Limited). The rating continues to derive strength from established relationship with reputed and well-known customers, improved scale, profitability and cash flows in FY24 (refers to the financial year from 1st April to 31st March) and current year, adequate liquidity marked with prudent working capital management, low risk business model and experienced promoters. The ratings are, however, constrained on account of the company's thin profitability margins, moderate capital structure and debt protection metrics, susceptibility of revenues to regulatory risks, and presence in a highly competitive and fragmented industry.

The ratings of GECL are withdrawn at the request of the company and No Dues Certificate is received from the lending bank. The ratings withdrawal is consistent with Infomerics policy of Withdrawal.

The Stable outlook reflects Infomerics' view that PCJPL will continue to get benefit from the experience of its promoters in gems and jewellery industry and the established relationship with its customers which will translate into growing scale of operations along with improved profitability margins. This will be on account of investment in automation in the form of CNC machines as well as effective waste recovery systems. Also, as the company has relocated to bigger premises of 40,000 sq ft at MIDC it is now able to consolidate all operations in one location which streamlined systems and processes.

Key Rating Sensitivities:

Upward Factors

- Substantial increase in revenue and profitability, leading to improvement in cash accruals on a sustained basis.
- Sustenance of the capital structure and substantial improvement in the debt protection metrics including improvement in overall gearing.
- Increase in EBITDA margin above 4% and PAT margin above 2% on a sustained basis.

Downward Factors

- Deterioration in scale of operation and/or profitability on a sustained basis leading to moderation of capital structure and/or debt protection metrics.
- Any adverse regulatory changes impacting the company's business profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established relationship with reputed and well-known customers

The company caters to the gold jewellery requirement of reputed brands. PCJPL offers its customers a wide variety of jewellery from across India in order to cater to regional preferences. The established relation with customers helps it get repeat orders from them. PCJPL has well known customer base like Tanishq, Malabar Golds and Diamonds, Kalyan Jewellers, etc.

Improved scale, profitability and cash flows

PCJPL has maintained sustained improvement in revenue to Rs 961.10 crore in FY 2024 (referred period 1April 2023 to 31 March 2024) which translates into growth rate of 37.28% on yoy basis (Rs.700.11 crore as on FY 2023 respectively), mainly on account of higher order executions (leading to increase in sales volume) as well as increase in realisations. The EBITDA increased from INR 14.21 crore in FY 2023 to INR 24.08 crore in FY 2024. The EBITDA margin also improved and stood at 2.51% in FY 2024 {vis-a-vis 2.03% in FY 2023}. The company reported significant increase in PAT of Rs 10.65 crore in FY 2024 as against Rs. 5.43 crore as on FY2023 and Rs 3.72 crore in FY 2022. mainly on account of increased in the sales volume and average realisation. PAT margin also increased and stood at 1.11% in FY 2024 {vis-a-vis 0.78% in FY 2023 and 0.64% in FY 2022}. The gross cash accrual has improved significantly to Rs 11.17 crore as on FY 2024 as compared to Rs 5.64 crore in FY 2023. This was mainly on account of increased topline. The company has added many new clients spread across different states of India in the last one year, which has been aiding the sales growth. The company has relocated to a large, leased premises in MIDC Navi Mumbai in October 2024. Larger space availability has allowed the company to scale up its work force (300+ team currently) as well as invest in CNC Machnies for automatic machining of the gold ornaments. While CNC operation will help to boost revenues and improve EBIDTA margins, the company also expected to benefit from effective waste recovery systems installed in the new premises.

Adequate liquidity marked with prudent working capital management

Gems and jewellery industry is characterised by high raw material prices, large volume and low margins which makes the business highly working capital intensive. The company has managed its working capital requirements prudently despite having to purchase mainly on cash basis check and having to extend credit to its customers. It has been extending 30-45 days credit to its customers. Typically, the company maintains inventory of around 20-30 days. Its operating cycle was 54 days in FY24 as against 49 days in FY23. The working capital requirement of the company is mainly funded through promoter's funds in the form of unsecured loan (as and when required) and bank borrowings in the form of cash credit and gold loans.

Low risk business model

The company follow the back-to-back business model whereby they purchase gold from bullion traders on immediate basis on the same day and at the same gold rate at which it receives the order from customers. Hence the company is completely hedged against gold price volatility. The company does not rely on Gold Metal Loans typically used by other jewellery manufacturers to hedge their exposure as it entails hedging cost due to which the overall borrowing cost increase**.**

The company has a comprehensive insurance policy covering stock, factory, transit and logistics, employee fidelity and third-party fidelity as well as covering credit risk of client.

Experienced promoters

PCJPL is promoted by Mr. Rajendrakumar Maganlal Jain has around 27 years rich experience in retailing and trading of gold jewellery and Mr. Shripalkumar Maganlal Jain has an experience of 32 years in manufacturing and trading of gold jewellery. By virtue of the vast experience of the promoter, PCJPL has long standing relations with its customers and suppliers.

Key Rating Weaknesses

Thin profitability margins

The company operates on thin profitability margins as reflected in EBITDA margin of 2.51% for FY24 (improved from 2.03% in FY23). In line with EBITDA margin, PAT margin also improved from 0.78% in FY23 to 1.11% in FY24 but continued to remain thin.

Moderate capital structure and debt protection metrics.

PCJPL's capital structure moderately deteriorated with overall gearing ratio of 2.22x as on March 31st, 2024, as against 1.93x as on March 31, 2023, mainly on account of increased in the debt level from Rs 76 crore to Rs 148 crore in FY 24, although adjusted net worth increased substantially in FY 24 at Rs 66 crore from Rs 39 crore in FY 23.However TOL/ATNW stood almost same at 2.35x as on March 31st, 2024, as against 2.36x in FY23. Though interest coverage ratio improved at 2.58x in FY 24 as against 2.13x in FY 23, due to improvement in EBIDTA.

Susceptibility of revenues to regulatory risks

Gold and diamond are traded in the international market, so trading in gold, diamond and studded jewellery is highly influenced by several government policies and regulations, which changes from time to time. Recent changes in regulation include mandatory PAN number disclosure for purchase of gold jewellery above Rs.2 lakh, mandatory hallmarking of gold jewellery etc. The government also regulates the import duty on gold. The government is also encouraging investment in gold bonds and schemes as an alternative to physical gold. All these regulatory interventions affect the demand and supply of gold and consumer demand for gold jewellery. Since gold is considered as the most near to liquid investment and can be readily sold in over the counter and traded on multiple exchanges the prices volatile in nature, which can impact the margins of the companies in the industry.

Presence in a highly competitive and fragmented industry

The gems and jewellery industry in India is highly fragmented with presence of numerous unorganised players, apart from some very large integrated manufacturers leading to highly competitive industry. The company faces stiff competition from both organised as well as unorganised players. The competitive and fragmented nature of the industry impacts the company's profitability margins

Analytical Approach: Standalone Approach

Applicable Criteria:

Criteria on assigning rating outlook

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Policy on Default Recognition and Post-Default Curing Period

Complexity Level of Rated Instruments/Facilities

Policy on Withdrawal of Ratings

Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term marked by its expected sufficient cash accruals as against its debt repayment obligations. The GCA in projected years are expected to be in the range of Rs 23 crore-Rs 32 crore against repayment obligation of Rs 1.52 crore in FY 25, Rs 1.23 crore in FY 26 and Rs 0.82 crore in FY 26 as on date. Further the current ratio stood at 1.24x in FY 24. The working capital utilisation on an average stood around 89.98% for the past 12 months ended December 2024.

About the Company

PADMAVATI CHAINS AND JEWELS PRIVATE LIMITED (PCJPL) (Erstwhile PADMAVATI CHAINS PRIVATE LIMITED) is a Mumbai based manufacturer of gold jewellery. PCJPL was incorporated on November 30, 2010 vide certificate of incorporation no. U36911MH2010PTC210465 issued by the Deputy Registrar of Companies, Mumbai, Maharashtra. The company has branch offices in Thrissur and Chennai. The company manufactures many types of jewellery, including Turkish and CZ Studded Jewellery. The company mainly deals in 22 carat gold jewellery. The company has its own production facility. The products are all varieties of handmade and casting jewellery comprising of finger rings, earrings, nose rings, pendants, fancy pendant sets, bracelets, chains, necklaces, bangles, armlets, maangtika, handsets, key chains, watch straps, Mangal sutras etc. It specializes in diamond look jewellery, light weight heavy look jewellery with contemporary designs etc. To expand reach in south region company they have started branches in Tamil Nadu. The company is managed by two whole-time promoter directors, Mr. Rajendrakumar Maganlal Jain and Mr. Shripalkumar Maganlal Jain.

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Financials (Standalone):

INR in Crore

For the year ended/ As on*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	700.11	961.10
EBITDA	14.21	24.08
PAT	5.43	10.65
Total Debt	76.41	148.44
Adjusted Tangible Net worth	39.63	66.94
EBITDA Margin (%)	2.03	2.51
PAT Margin (%)	0.78	1.11
Overall Gearing Ratio (x)	1.93	2.22
Interest Coverage(x)	2.13	2.58

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2023-24 (Dec 21,2023)	Date(s)&Rating(s) assigned in 2022-23 (November 9, 2022)	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	1.58	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	--
2.	Cash Credit	Long Term	150.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	--

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information and definition of ratings please visit www.infomerics.com.

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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
GECL Extension	-	-	November 24, 2026	1.58	IVR BBB-/ Stable
Cash Credit	-	-	-	150.00	IVR BBB-/ Stable

Annexure 2: Facility wise lenders details
https://www.infomerics.com/admin/prfiles/len-PCJPL-feb25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable.

Annexure 4: List of companies considered for consolidated analysis: 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.