

April 24, 2024

P. C. Chandra Jewellery Apex Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash Credit	25.00	25.50	[ICRA]AA- (Stable); Reaffirmed and assigned for the enhanced amount
Short-term – Gold Metal Loan	20.00	30.00	[ICRA]A1+; Reaffirmed and assigned for the enhanced amount
Short-term – Gold Metal Loan (interchangeable)^	(20.00)	(20.00)	[ICRA]A1+; Reaffirmed
Total	45.00	55.50	

*Instrument details are provided in Annexure-I; ^Sublimit of cash credit facility

Rationale

To arrive at the ratings, ICRA has taken a consolidated view of the P. C. Chandra Group (Group), which includes P. C. Chandra Juels International Private Limited (PCCJIPL, rated at [ICRA]AA- (Stable)/[ICRA]A1+), P. C. Chandra (Gems) Private Limited (PCCGPL, rated at [ICRA]AA- (Stable)/[ICRA]A1+), P. C. Chandra & Sons India Pvt Ltd (PCCSIPL, rated [ICRA]AA- (Stable)/[ICRA]A1+), P. C. Chandra Jewellery Apex Private Limited (PCCJAPL, rated at [ICRA]AA- (Stable)/[ICRA]A1+), P. C. Chandra (Jewellers) Private Limited (PCCJPL, rated at [ICRA]AA- (Stable)/[ICRA]A1+) and Goldlites India Private Limited (GIPL, rated at [ICRA]AA- (Stable)/[ICRA]A1+) due to the strong managerial, operational and financial linkages among the Group companies.

The ratings continue to consider a likely sustenance of the healthy financial performance of the Group in FY2024, following a significant improvement in FY2023. While the Group's revenue growth is likely to remain healthy at 14-15% in FY2024, addition of eight stores in FY2024, and another seven to eight stores (expected) in FY2025, would further support the scale of operations in FY2025. The expected addition of new stores in non-eastern region would also improve the company's geographical diversification. In the current year, while the volumes are expected to remain muted, the higher realisation is expected to support revenues. The operating profit margin is also likely to improve by ~100 bps on account of higher share of studded jewellery, higher making charges and inventory gains. Such improvement in profitability is expected to result in healthy cash generation and further strengthening of coverage metrics in the near-to-medium term.

The ratings also consider the Group's favourable financial risk profile, reflected by a conservative capital structure with a gearing of less than 0.3 times, strong debt coverage indicators and a healthy return on capital employed (ROCE) of 17.5% in FY2023. The ratings continue to draw comfort from the significant market presence of the P.C. Chandra Group (all six companies mentioned above), its strong brand position and the long experience of its promoters in the business of jewellery manufacturing and retailing, particularly in West Bengal. ICRA expects the financial risk profile of the Group to remain comfortable, given the favourable long-term demand outlook for organised jewellery retailers with their growing penetration, evolving lifestyle and growing disposable income.

The ratings are, however, constrained by the working capital intensive nature of the Group's operations, mainly on account of high inventory holding. Although high gold inventory provides liquidity back-up to an extent, the same also exposes the Group's profit margins to gold price fluctuations. Additionally, the Group continues to remain exposed to geographical concentration risks as 50 out of its 64 showrooms (including one mall stop) are located in West Bengal. The Group has opened new stores outside West Bengal in the recent past and with more stores in the pipeline, its geographical concentration is expected to reduce in the medium term. The ratings also factor in the intense competition and a fragmented industry structure, which are likely to keep margins under check. ICRA also notes the inherent regulatory risks in the gems and jewellery industry, including

unanticipated changes in regulations and investigations by Government agencies, which had impacted the performance in the past.

The Stable outlook on the [ICRA]AA- rating is on account of favourable long-term demand outlook for organised jewellery retailers with their growing penetration, evolving lifestyle and growing disposable income, which will benefit companies like the P C Chandra Group.

Key rating drivers and their description

Credit strengths

Healthy financial performance in FY2024, likely to sustain in the near term – The Group's turnover is expected to increase by 14-15% in FY2024 owing to higher gold realisations. ICRA notes that the gold prices have been continuously rising in the last 2-3 years, which is likely to impact the volumes in the near term. Nonetheless, the profit margins are expected to improve in the current fiscal by 50-100 bps on account of higher making charges owing to higher gold prices, higher share of studded jewellery and inventory gains. The Group has opened eight stores in FY2024, and another seven to eight stores are in the pipeline. The same will further support the scale of operation from FY2025. The operating margin is also expected to be maintained at 10-11%, resulting in generation of healthy cash accruals in the near to medium term.

Favourable financial risk profile characterised by conservative capital structure, strong debt coverage indicators and healthy return on capital employed – The Group's capital structure continued to remain conservative due to limited borrowing vis-a-vis its strong net worth (Rs. 1,365 crore as on March 31, 2023 on a consolidated basis), as reflected by a gearing of 0.3 times as on March 31, 2023. Healthy profits and a conservative capital structure lead to strong debt coverage metrics of the Group, with total debt to OPBDITA of 1.5 times and an interest coverage of ~6.4 times in FY2023. ICRA expects the debt coverage metrics of the Group to further improve in FY2024 owing to higher profits. The TOL/TNW as well as RoCE also remains conservative at 0.5 times and ~17.5% in FY2023, which is likely to sustain at healthy levels in the near term.

Established market presence and goodwill of the P.C. Chandra Group in West Bengal; operational linkages among the Group entities – The P.C. Chandra Group has been in the gems and jewellery business since 1939. Over the past 85 years, it has developed a strong market position as a jewellery retailer in West Bengal. The goodwill of the brand in eastern India also strengthens the Group's market standing, especially given the importance of trust and the retailer's reputation in jewellery purchase decisions. Even though the jewellery industry in India witnesses tough competition from both the organised as well as the unorganised players, the P.C. Chandra Group has held its own position through superior product quality as well as creative designs. The Group entities operate in various geographical and customer segments under the same P. C. Chandra Jewellers brand, strengthening the overall operational profile of the Group.

Favourable long-term demand outlook for organised jewellery retailers – Increasing regulatory restrictions in the jewellery segment, aimed towards greater transparency, have been shifting the market share in favour of the organised jewellery retailers. This is likely to be an advantage for organised players like the P.C. Chandra Group. ICRA expects the Group to continue to increase its revenue base, supported by a loyal customer base. especially in West Bengal.

Credit challenges

Exposure to geographical concentration risk – The jewellery segment of the P. C. Chandra Group (six entities combined) has 64 showrooms, including one mall stop under its management. Among these, 50 showrooms and the mall stop are located in West Bengal and the rest of the stores are located in different cities viz. New Delhi, Mumbai, Noida, Jamshedpur, Agartala, Bhubaneswar, Ranchi and Bangalore. The Group is primarily a regional player, with presence limited to West Bengal, which exposes it to significant geographical concentration risk. However, with regular addition of stores in and outside of West Bengal, the market presence of the Group is expected to increase and diversify further, going forward.

High inventory increases working capital requirement and exposes the Group to volatility in gold prices – The P. C. Chandra Group purchases gold on a regular basis, keeping parity with its sales volume. Therefore, exposure to risks associated with gold

price fluctuations is limited to the company's inventory carrying period. However, the high inventory level of the Group is on account of various designs of ornaments maintained at a large number of stores, which results in high working capital intensity of operations and simultaneously exposes the Group's profit margins to fluctuations in gold prices.

Exposed to regulatory risks – The domestic jewellery retail industry remains exposed to the risks arising from the evolving regulatory landscape, which could adversely impact the Group's business. Mandatory PAN disclosure on transactions above a threshold limit, imposition of excise duty and GST and demonetisation are some of the regulations that have impacted demand and supply in the past. JIL remains exposed to regulatory changes that may impact its business profile.

Liquidity position: Adequate

The P.C. Chandra Group's liquidity position is **adequate**. The Group's consolidated fund flow from operations is expected to remain healthy in FY2024 on the back of increased profits. Its liquidity position remains comfortable with sizeable cash balance (~Rs. 74 crore on a consolidated basis as on March 31, 2023) and significant funding support in the form of unsecured borrowings from the promoters (~Rs. 218 crore). Addition of stores to enhance market presence is likely to entail a moderate capital expenditure and is likely to be funded internally. The average utilisation of the sanctioned fund-based working capital limit (interchangeable with non-fund-based-limit) remained at a moderate level (~70%) for the Group. Such cushion in the working capital utilisation, absence of long-term debt repayment obligation and the Group's highly liquid gold inventory are likely to keep its liquidity adequate.

Rating sensitivities

Positive factors – The long-term rating could be upgraded in case of an improvement in the geographical diversification of its revenues, and significant scale up of revenues and profitability, leading to healthy coverage metrics and comfortable liquidity position.

Negative factors – Pressure on the P. C. Chandra Group's ratings may arise if its profitability is significantly impacted by an adverse movement in gold prices. A significant increase in the inventory holding requirement because of sizeable store expansion may adversely impact the Group's liquidity, leading to ratings downgrade. Specific credit metrics that may trigger ratings downgrade include TOL/TNW of more than 1 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Jewellery - Retail
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of various Group entities (as mentioned in Annexure-II) given the close business, financial and managerial linkages among them.

About the company

P.C. Chandra Jewellery Apex Private Limited, a part of the P.C. Chandra Group was incorporated on December 24, 2002, as a private limited company aiming at institutional sale of gold coins, gold bars, and other corporate gift items. In 2004-05, the company expanded into retail sales of gold, silver, and precious stone ornaments and articles. It has established new showrooms almost every year since 2004-05 and has 24 showrooms under its management at present. Out of these, 20 stores are set up by third-party selling agents and another four are owned by the company itself or through consultants. All showrooms are in Eastern and North-Eastern India, and function under the brand name "P.C. Chandra Jeweller". The

institutional sales were shifted to another group company in 2008-09. Approximately 92-93% of PCCJAPL's revenues are generated through sale of gold jewellery, and the balance through sale of silver and precious stones.

Key financial indicators (audited)

	PCCJAPL Standalone		P. C. Chandra Group Consolidated	
	FY2022	FY2023	FY2022	FY2023
Operating income	574.9	629.7	2,391.8	2,953.8
PAT	34.9	34.6	161.4	187.0
OPBDIT/OI	9.5%	8.6%	10.8%	10.3%
PAT/OI	6.1%	5.5%	6.7%	6.3%
Total outside liabilities/Tangible net worth (times)	0.7	0.6	0.5	0.5
Total debt/OPBDIT (times)	1.1	1.2	1.6	1.5
Interest coverage (times)	7.2	3.9	8.1	6.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2024 (Rs Crore)	Date & rating in FY2025	Date & rating in FY2024				Date & rating in FY2023	Date & rating in FY2022		
				Apr 24, 2024	Mar 18, 2024	Apr 27, 2023	Apr 06, 2023	-	Mar 31, 2022	May 04, 2021	Apr 08, 2021	
1	Fund-based – Cash Credit	Long term	25.50	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	[ICRA]A+(Positive)	-	[ICRA]A+(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
2	Gold Metal Loan	Short term	30.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1	[ICRA]A1	-	[ICRA]A1	-	-
3	Gold Metal Loan (interchangeable)^A	Short term	(20.00)	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1	[ICRA]A1	-	[ICRA]A1	-	-

^Sublimit of cash credit facility

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash Credit	Simple
Short-term – Gold Metal Loan	Simple
Short-term – Gold Metal Loan (interchangeable)^	Simple

^Sublimit of cash credit facility

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based – Cash Credit	-	-	-	25.50	[ICRA]AA- (Stable)
NA	Short-term – Gold Metal Loan	-	-	-	30.00	[ICRA]A1+
NA	Short-term – Gold Metal Loan (interchangeable)^	-	-	-	(20.00)	[ICRA]A1+

Source: Company; ^sublimit of cash credit facility

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
P. C. Chandra & Sons India Pvt Ltd	-	Full Consolidation
P. C. Chandra Juels International Private Limited	-	Full Consolidation
Goldlites India Private Limited	-	Full Consolidation
P C Chandra (Jewellers) Private Limited	-	Full Consolidation
P C Chandra (Gems) Private Limited	-	Full Consolidation
P C Chandra Jewellery Apex Private Limited	-	Full Consolidation

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 328
shamsherd@icraindia.com

Sujoy Saha
+91 33 7150 1184
sujoy.saha@icraindia.com

Kinjal Shah
+91 22 6114 3400
kinjal.shah@icraindia.com

Sovanlal Biswas
+91 33 7150 1181
sovanlal.biswas@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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