February 28, 2025

Anand Jewels (Indore) 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/short term-fund based	350.0	450.0	[ICRA]BBB+(Stable)/[ICRA]A2; reaffirmed/assigned
Long-term– Fund based Term Loans	15.1	3.6	[ICRA]BBB+(Stable) reaffirmed
Total	**365.1**	**453.6**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation factors in the steady operational performance of Anand Jewels (Indore) Private Limited, aided by its established brand and extensive experience of the promoters in its area of operations in jewellery retail business. The company recorded a healthy growth in revenues in FY2024 (Rs. 1,458 crore, a 26% growth on a YoY basis), aided by increasing scale of operations and a rise in gold prices. In the current fiscal, even as the volumes have remained under pressure on account of rising gold prices, the company is likely to report flat revenues. The operating margins for the company remained under pressure in FY2024 owing to Mark-to-market(MTM) losses of around Rs. 8 crore as well as various sales promotion activities, wherein the basic items such as machine-made bangles, chains etc. were sold to customers at discounted prices. The current year margins have been impacted owing to the one-time impact of around Rs. 25 crore due to customs duty cut of 9% by the Government of India in July 2024. Consequently, the company's debt coverage indicators have remained under pressure (Interest coverage of 2.9 times expected in FY2025). The financial profile is, however, expected to remain steady, going forward, on hopes that revenues will increase on the back of new store launches, coupled with improvement in margins, going forward, on the back of its focus on high gross-margin products, leading to improvement in debt coverage metrics (Interest coverage to remain in the range of 3.5-4 times in FY2026).

The liquidity position of the company remains adequate, supported by timely enhancement from the banks to support the scale. The company continues to adopt a hedging policy (by using gold metal loans), which provides a cushion against the price variation risk.

ICRA notes that the company has opened a new store by the name of 'Eish', which focusses on light weight jewellery with higher studded component in May 2024 in Indore. This is expected to result in an improvement in the scale of operations and support gross margins. The company has also started selling 'Eish' products in other Anand stores as well.

The ratings, however, remain constrained by the company's geographical concentration in Madhya Pradesh (MP). ICRA notes that its recent entry in the Chhattisgarh market has reduced the geographical concentration risk to an extent. The ratings also factor in the intense competition and a fragmented industry structure, which are likely to keep the margins under check. ICRA also notes the inherent regulatory risks in the industry, which impacted the retailers' performance in the past. The ratings are further constrained by the working capital-intensive nature of operations.

The Stable outlook reflects ICRA's expectation that AJIPL's scale will steadily increase on the back of new store addition and profits will be supported by various operational efficiency initiatives undertaken in the recent past. This is likely to help the company maintain its credit metrics commensurate to the rating category.

Key rating drivers and their description

Credit strengths

Healthy scale of operations; established brand and extensive experience of promoters – The company's revenues witnessed a healthy growth in the past few years and stood at Rs. 1,458 crore in FY2024 (a YoY growth of ~26%). The increase in scale of operations has been on account of opening of new stores over the years and improvement in realisations, aided by rising gold prices. The promoters have vast experience in the jewellery retail business in Indore. AJIPL's Chairman, Mr. Harbhajan Anand, has more than five decades of experience in the retail jewellery business, while Mr. Gaurav Anand, Director, has more than two decades of experience.

Increasing brand presence with additional store launches; improving operational efficiencies – In the past one year, AJIPL has undertaken various initiatives to improve operational efficiencies including better inventory management and gold procurement practices, which are likely to support operating margins, going forward. This will also lead to lower working capital requirements, and in turn support the liquidity position. In addition, the company's other stores have a high share of studded jewellery, which is expected to support margins, going forward.

Credit challenges

Exposed to geographical concentration risk – The company remains exposed to high geographical concentration risk as its ~100% revenues till FY2022 were generated from two stores in MP. With the opening of the new store in Raipur, the revenues have diversified to an extent, however, MP continued to contribute over 80% to the total sales in FY2024 and the current fiscal. Going forward, with the ramp-up of Eish store and the upcoming Bhopal store in April 2025, the concentration on its flagship store is expected to reduce. While it has a strong brand presence in MP, its ability to establish presence in other states remains to be seen.

High working capital intensity – The working capital requirements of the business are high because of the need to maintain high inventory at its stores, which results in increased debt levels. While in the recent months, the company has rationalised its inventory to an extent, its TOL/TNW remained elevated at ~2.6 times in FY2024. With better inventory management, the same is likely to improve, going forward, and would remain a key monitorable.

Exposure to gold price volatility and Government regulations – As common in retail jewellery business, raw materials constitute over 90% of the operating cost. Gold jewellery sales account for the major portion of AJIPL's revenues, so its profitability remains susceptible to movement in gold price. However, hedging practices adopted by the management reduced this risk to an extent. Increased regulatory intervention in the jewellery industry like restriction on imports, mandatory PAN disclosure requirement for purchases above the threshold limit, restrictions on jewellery saving schemes, imposition of excise duty and GST, increase in import duty, reduction in custom duty, etc., in the recent years impacted the demand and supply in the industry.

Liquidity position: Adequate

The liquidity position remains adequate, characterised by steady fund flow from operations, limited capex plans and cushion in the working capital limits. The average working capital limit stood at ~84% in the last 13 months ended in December 2024. The recent enhancement of limits by Rs. 100 crore also provides comfort. AJIPL is expected to be able to comfortably meet its debt servicing obligations (Rs. 2.4 crore repayment in FY2026) along with incremental working capital requirements with the available liquidity.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of a significant increase in revenues and profitability while maintaining a healthy liquidity position on a sustained basis. Specific trigger includes TOL/TNW of less than 1.5 times on a sustained basis.

Negative factors – The ratings could be downgraded in case of any adverse impact on the revenue/ profitability, leading to a deterioration in debt protection metrics. Further, any sizeable dividend payout or higher working capital requirement, impacting the liquidity position of the company, can trigger a downward rating action. Specific credit metric for ratings downgrade includes an interest cover of less than 3.5 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	Standalone

About the company

AJIPL was established in 2008 by Mr. Gaurav Anand. It manufactures and sells gold ornaments, jewellery, precious stones and diamonds under the name of Anand Jewels. The company's Chairman, Mr. Harbhajan Anand, has over 50 years of experience and Director, Mr. Gaurav Anand, has over 20 years of experience in the retail jewellery sector. The Anand family/Anand Corporation is a well-known business group in Madhya Pradesh, with major businesses in retail (automobile and jewellery), hospitality and real estate. At present, AJIPL has four showrooms in Indore and Bhopal in Madhya Pradesh, and Raipur in Chhattisgarh.

Key financial indicators (audited)

AJIPL	FY2023	FY2024	9M FY2025*
Operating income	1,158.0	1,458.4	1,061.7
PAT	35.8	20.1	15.6
OPBDIT/OI	5.6%	3.0%	3.4%
PAT/OI	3.1%	1.4%	1.5%
Total outside liabilities/Tangible net worth (times)	2.6	2.6	3.0
Total debt/OPBDIT (times)	4.0	7.0	7.5
Interest coverage (times)	4.2	2.8	2.9

*Source: Company, ICRA Research; *Provisional; All ratios as per ICRA's calculations; Amounts 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

	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	February 28,2025	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	3.60	[ICRA]BBB+ (Stable)	18-AUG-2023	[ICRA]BBB+ (Stable)	26-MAY-2022	[ICRA]BBB- (Positive)	12-AUG-2021	[ICRA]BBB- (Stable)
				19-DEC-2023	[ICRA]BBB+ (Stable)	30-NOV-2022	[ICRA]BBB (Stable)	-	-
Long term / short term-cash credit-fund based	Long Tem/Short Term	450.00	[ICRA]BBB+ (Stable)/[ICRA]A2	18-AUG-2023	[ICRA]BBB+ (Stable)/[ICRA]A2	26-MAY-2022	[ICRA]BBB- (Positive)/[ICRA]A3	12-AUG-2021	[ICRA]BBB- (Stable)/[ICRA]A3
				19-DEC-2023	[ICRA]BBB+ (Stable)/[ICRA]A2	30-NOV-2022	[ICRA]BBB (Stable)/[ICRA]A3+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/short term-fund based	Simple
Long-term- Fund based-Term loans	Simple

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/short term-fund based**	-	-	-	450.0	[ICRA]BBB+(Stable)/ [ICRA]A2
NA	**Fund based Term Loans**	Jan 2021	NA	Dec 2025	3.6	[ICRA]BBB+(Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis-Not Applicable

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar Krishnamurthy
+ 91 44 45964318
ksrikumar@icraindia.com

Rohan Kanwar Gupta
+91 124 4545808
rohan.kanwar@icraindia.com

Gaurav Singla
+91 124 4545366
gaurav.singla@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

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.

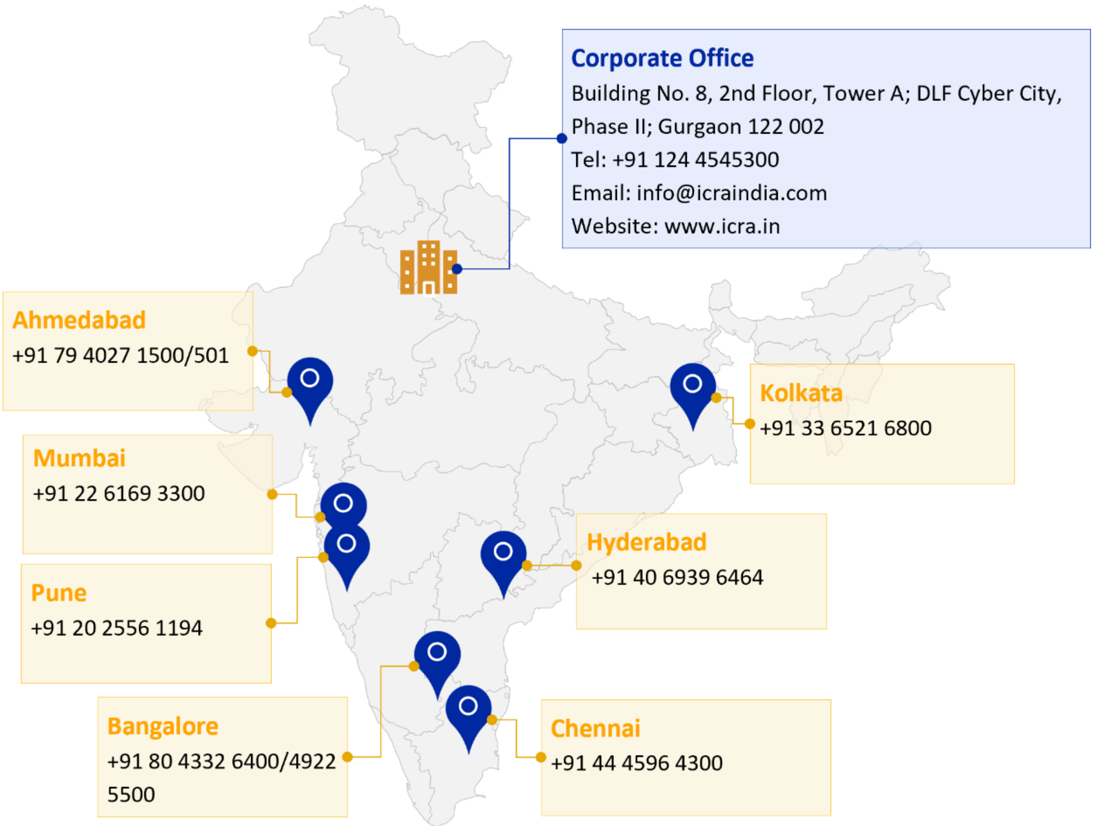
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



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.