

Anand Jewels (Indore) Private Limited

Instrument	Amount Rated	Rating Action
	In Rs. Crore	As of June, 2016
Fund based limits – Cash Credit	10.0	[ICRA]BB(Stable); <i>assigned</i>
Non fund based limits- BG	35.0	[ICRA]BB(Stable)/A4+; <i>assigned</i>
Total	45.00	

ICRA has assigned its long term rating of [ICRA]BB (pronounced ICRA double B) on the Rs 10.00 crore¹ fund-based bank limits of Anand Jewels (Indore) Private Limited (AJIPL)². ICRA has also assigned its long term rating of [ICRA]BB (pronounced ICRA double B) and short term rating of [ICRA]A4+ (pronounced ICRA A four plus) on the Rs 35.00 crore non-fund based limits of AJIPL. The outlook on the long term rating is 'Stable'.

The assigned ratings take into account the established position and the experience of promoters in the Jewellery retail business in Indore as is evident from the significant ramp up of sales in the first five months of operations. The rating positively takes into account, available funding in terms of a metal loan from Bank of Nova Scotia, which ensures assured availability of good quality gold and low cost funding compared to conventional inventory funding methods. As a significant part of the inventory backed by the metal loan wherein the credit period is available for price fixing with customer, price risk is also mitigated to a large extent.

The ratings are however, constrained by the limited track record of the company which started operations only in November, 2015, though the promoters have long experience in retail jewellery, and moderate profitability indicators given modest value addition and competitive pricing. ICRA notes that with increased revenue contribution from diamond jewellery and absence of one time launch expenses, profitability is expected to improve going forward. ICRA also notes the high level of gold inventory required to support AJIPL's business, however the credit available to fund the same and negligible debtors leads to a manageable working capital cycle. The ratings also factor in the high geographical concentration risk, on account of its operations being concentrated in a single store in Indore and regulatory risks, wherein any change in government policies could adversely impact the company's business risk profile.

AJIPL's ability to sustain revenue growth and simultaneously manage the corresponding increased funding requirements for the same with enhancements to both the metal loan and corresponding enhancement in the non fund-based limits required to avail this metal loan would be the key rating sensitivities.

About the Company

AJIPL was established in the year 2008 by Mr Gaurav Anand and carries on the business of manufacturing and sale of gold ornaments, jewellery, precious stones and diamonds under the name of *Anand Jewels* at M.G Road, Indore. Chairman Mr Harbhajan Anand has 50 years of experience and Mr Gaurav Anand has 20 years of experience in the field of jewellery retail. The Anand Family or Anand Corp. is a well known business group in Madhya Pradesh with its major business of Retail (Automobile & Jewellery), Hospitality and Real Estate. Currently, AJIPL has only one showroom in prime location in Indore, Madhya Pradesh.

Recent Results

AJIPL, on a provisional basis, reported an operating income (OI) of Rs 94.74 crore in 5mFY2016.

June 2016

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.



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