

## Nooli Jewellers

Instrument	Amount In Rs Crore	Rating Action
Fund Based Limits	12.00	[ICRA]B+ / Reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]B+ (pronounced ICRA B plus) assigned to Rs. 12.00 crore<sup>1</sup> fund based limits of Nooli Jewellers (NJ)<sup>†</sup>.

The reaffirmation of rating is constrained by the weak capital structure with gearing of 5.11 times as on March 31, 2016 and interest coverage ratio of 1.16 times and Debt/OPBITDA of 8.86 times for FY2016 on account of higher working capital borrowings coupled with thin profitability levels; and stretched liquidity profile of the firm as reflected by high utilization of working capital limits due to higher inventory levels required for the jewellery retailing business. The rating is further constrained by the high competitive intensity owing to fragmented nature of jewellery retailing industry which puts the margins under check; exposure to volatility in gold prices in the absence of formal hedging mechanism; and risks arising from the proprietorship nature of the firm. ICRA also notes the high geographic concentration risk given that the firm runs only one store at Tanuku spread across 1500 sq. ft. The rating however favourably factors in the substantial growth in scale of operations over the past two years with revenues increasing from Rs. 19.91 crore in FY2014 to Rs. 57.66 crore in FY2016 owing to increased sales volume; long track record of the promoters in jewellery retailing; and established position of the firm in Tanuku region.

Going forward, the company's ability to improve financial profile and effectively manage working capital requirements would be the key rating drivers from a credit perspective.

### Company Profile

Nooli Jewellers (NJ) was formerly known as Nooli Venkatratnam, and was promoted by Mr. Nooli Venkatratnam 70 years back. In the year 1979, name of entity changed to Nooli Jewellers. The firm is engaged in manufacturing and trading of gold, silver and stone studded jewellery. The firm's jewellery collection ranges from 22 karat gold jewellery to 18 karat jewellery studded with diamonds, gemstones like rubies, emeralds, sapphires, semi precious stones. NJ sells all forms of jewellery including earrings, necklaces, bangles, rings, anklets etc. The retail show room of the firm is at Tanuku, East Godavari district of Andhra Pradesh spread across 1500 sq. ft.

### Recent Results

As per the provisional results for FY 2016, the company reported profit after tax of Rs 0.41 crore on turnover of Rs 57.66 crore as against profit after tax of Rs 0.37 crore on turnover of Rs 37.35 crore during FY2015.

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<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup>For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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