

Manoj Vaibhav Gems 'N' Jewellers Private Limited

Instrument	Amount	Rating Action
	Rs. Crore	November 2016
Cash Credit	232.50 (enhanced from 194.00)	Upgraded to [ICRA]BBB(Stable) from [ICRA]BBB-(Stable)
Term Loan	4.88 (enhanced from 0.00)	Upgraded to [ICRA]BBB(Stable) from [ICRA]BBB-(Stable)
Working Capital Term Loan	15.00	[ICRA]A3+ assigned
Long- term Unallocated Limits	81.54 (enhanced from 4.61)	Upgraded to [ICRA]BBB(Stable) from [ICRA]BBB-(Stable)

ICRA has upgraded the long term rating on the Rs.237.38- crore*(enhanced from Rs.194.00 crore) fund-based limits and the Rs.81.54-crore (enhanced from Rs.4.61 crore) long-term unallocated limits of Manoj Vaibhav Gems 'N' Jewellers Private Limited (MVGJPL, erstwhile Vaibhav Empire Private Limited)† to [ICRA]BBB(pronounced ICRA Triple B) from [ICRA]BBB- (pronounced ICRA Triple B minus). ICRA has also assigned a short-term rating of [ICRA]A3+(pronounced as ICRA A Three Plus) to the Rs.15.00-crore working capital term loan. The outlook on the long term rating is stable.

The revision in rating takes into account the improvement in geographical diversification with the opening of three new stores over the last 12 months, thereby reducing the dependence on its flagship store, V-square, at Visakhapatnam. The contribution from V-Square to the overall retail revenues has declined from 90% in FY2015 to 83% in FY2016. Further, the company plans to open three more stores by end of FY2017, further reducing dependence on V-square. MVGJPL's OI grew by 35% during FY2016 backed by a 3% growth in retail sales and a 165% growth in bullion sales. The proportion of low-cost gold metal loans increased in FY2016, enabling the company to cover its inventory against the price risk due to intrinsic price hedging and lower its interest cost. The ratings continue to factor in the strong brand name enjoyed by the company in Visakhapatnam market and the experience of the management team, with over two decades of presence in retail jewellery business.

The ratings are however constrained by the ambitious-debt funded expansion plans of three new stores over the next six months with a total capex of Rs.18 crore, proposed to be funded by debt of Rs.12 crore and internal accruals of Rs.6 crore. The working capital borrowings are also expected to increase in order to support the inventory requirement at the new stores. Therefore, the overall borrowing levels would increase in the near term thereby exerting pressure on leverage and coverage indicators. The ratings are also constrained by the limited pricing flexibility in the retail business because of intense competition prevalent in the industry and the exposure of revenue and earnings to volatile gold prices.

Going forward, the ability of the company to sustain profitability at current levels in the existing stores; achieve break-even for new stores and effectively manage its working capital requirements would be the key rating sensitivity.

Company Profile

Manoj Vaibhav Gems 'N' Jewellers Private Limited (MVGJPL) was instituted as 'Hotel Anant Private Limited' (HAPL) on March 13, 1989. HAPL was acquired by Mr. Manoj Kumar Grandhi and family in 2003, and was renamed as Vaibhav Empire Private Limited. The company is currently involved in the business of gold jewellery retailing along with the trading of bullion .It has six stores ,totalling a retail area of 45,056 sft, across Andhra Pradesh. The company was renamed as Manoj Vaibhav Gems 'N' Jewellers Private Limited on July 4, 2016.

Recent results

As per the audited financials for FY2016, MVGJPL reported an operating income of Rs.1228.53 crore and a net profit of Rs.12.49 crore, against an operating income of Rs.912.99 crore and a net profit of Rs.12.59 crore in FY2015.

November 2016



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