

R.S. Brothers Jewellers Private Limited

Instruments	Amount (Rs. Crore)	Rating Action December 2016
Long-term – Fund based	60.00 (revised from 65.00)	[ICRA]A- (Stable) / Reaffirmed
Long-term – Unallocated	6.80 (revised from 5.00)	[ICRA]A- (Stable) / Reaffirmed
Short-term Non fund based	13.20 (revised from 10.00)	[ICRA]A2+ / Reaffirmed

ICRA has reaffirmed the long-term rating at **[ICRA]A-** (pronounced ICRA A minus) to the Rs. 60.00 crore¹ (revised from Rs. 65.00 crore) fund based facilities and the Rs. 6.80 crore (revised from Rs. 5.00 crore) unallocated facilities of R.S. Brothers Jewellers Private Limited (RSBJPL / the company)². The outlook on the long-term rating is stable. ICRA has reaffirmed the short-term rating at **[ICRA]A2+** (pronounced ICRA A two plus) to Rs. 13.20 crore (revised from 10.0 crore) non-fund based facilities of the company.

While arriving at the ratings for RSBJPL, ICRA has taken a consolidated view of R.S. Brothers Retail India Private Limited (RSBRIPL) and R.S. Brothers Jewellers Private Limited owing to common management and significant operational and financial linkages between the two companies.

The ratings reaffirmation considers the long-standing experience of the promoters in the textile and jewellery retail industry, and established presence of the group in the Hyderabad market with 20 stores and total retail area of 6.78 lakh square feet. The ratings also consider the healthy growth of 21% in operating income of the group in FY2016 on the back of 33% revenue growth in RSBRIPL with addition of new stores and healthy growth in revenues from existing stores. However, revenue growth of RSBJPL remained muted in FY2016 on account of lower sales in the last two months of FY2016 owing to jewellers' strike. The ratings factor in stable operating profitability of the group over the years, healthy capital structure and coverage indicators.

The ratings, nevertheless, are constrained by the high geographic concentration of operations with majority of the stores located in Hyderabad, high competition in the fragmented and competitive industry from organized and unorganized players, thin operating margins owing to trading nature of operations and high rentals owing to asset light model adopted by the company, and susceptibility of sales growth to economic cycles which impact discretionary spending. Moreover, w.r.t. the Jewellery retailing operations, ICRA takes into consideration its small scale and modest brand alignment, especially in view of the presence of various large and well established players in this region. Further, ICRA also factors in the regulatory risks involved in the gold retail industry as witnessed in various intermittent measures by the government in the recent past. ICRA notes that with demonetisation of high value currency notes in November 2016, the revenue growth would be impacted in H2, FY2017.

With debt funded capex plans on the anvil in the near term, ability of the group to successfully diversify its geographic base, ramp up the operations in the new stores, record stable growth in revenues from existing stores, maintain its profitability amidst high competition in the industry and manage its working capital requirements efficiently would be the key rating sensitivities.

Group Profile

R. S. Brothers Retail India Private Limited (RSBRIPL) is part of R. S. Brothers group which is into retailing of textiles and jewellery since 1993. RSBRIPL, incorporated in 2008, started its operations as a partnership firm under the name R 9000 Textiles and Garments in 1993 and has been converted to private limited company in May 2008. RSBJPL was also established as a partnership firm and reconstituted as private limited company in 2008. The group operates 20 showrooms in the states of Telangana and Andhra Pradesh under two brands – R. S. Brothers (10 showrooms) and South India Shopping mall (10 showrooms with launch of first showroom in 2010).

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.

Recent Results

The group reported net profit of Rs.18.9 crore in FY2016 on operating income of Rs. 1062.2 crore as against net profit of Rs. 16.1 crore on operating income of Rs. 877.8 crore in FY2015.

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