

October 27, 2017

Alapatt Fashion Jewellery

Summary of rated instruments

Instrument [^]	Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based facilities	5.50	[ICRA]B-(Stable) ISSUER NOT COOPERATING* Rating moved to the 'Issuer Not Cooperating' category
Total	5.50	

* Issuer did not cooperate; based on best available information

[^]Instrument details are provided in Annexure-1

Rating action

ICRA has moved the ratings for the Rs. 5.50 crore bank facilities of Alapatt Fashion Jewellery to the 'Issuer Not Cooperating' category. The rating is now denoted as “[ICRA]B-(Stable) ISSUER NOT COOPERATING”

Rationale

The rating is based on limited information on the entity's performance since the time it was last rated in April 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity's credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with Alapatt Fashion Jewellery, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information.

Key rating drivers

Credit strengths

- **Experience of promoters in jewellery retailing for over two decades** - The long standing presence of John Alapatt group since 1992 and that of brand Alapatt for over six decades in the Trivandrum market has enabled the Firm in enhancing the brand loyalty among its customers.
- **Favourable demand outlook** - Demand for gold jewellery has been strong in the last two quarters supported by recovery in rural demand with favourable farm output and monsoons, higher number of auspicious days, lower gold prices and opportunistic buying ahead of GST rollout. Demand outlook for organized jewellery retailers is favourable underpinned by the strong cultural affinity for gold.

Credit weaknesses

- **Single retail outlet in Trivandrum poses geographic concentration risk**– The firm operates out of a single showroom in Trivandrum which poses geographic concentration risk. The firm also faces limited financial flexibility as it does not have much avenue for revenue growth.
- **Competitive pressure affecting pricing flexibility** – The firm faces intense competition from renowned jewellers in the Trivandrum region. This has resulted in drop in revenues due to the fall in gold sales volume despite the rising gold prices during H1 FY2017.

- **Regulatory risks**– Since FY2014, the Indian jewellery retail industry has been witnessing increased regulatory intervention which impacted the operating environment and consequently the financial performance of jewellers. Measures like mandatory PAN card disclosure requirement for purchases to Rs.2 lakh, imposition of excise duty, demonetisation etc., had its effect on both demand and supply.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Policy on non-cooperation by the rated entity](#)

About the company:

Alapatt Fashion Jewellery is a partnership firm set up by Mr. John Alapatt in Trivandrum in 1992. The Firm is currently engaged in the business of gold and diamond jewellery retailing and operates with single retail showroom (~2,000 square feet area) in a leased premise located in Trivandrum. Majority of the firm's gold requirements are met through melted gold obtained from exchange of old jewellery from customers. Also, the firm sources gold and diamond jewellery from merchants based out of Mumbai and Bangalore.

Key Financial Indicators (Audited)

	FY2015	FY2016
Operating Income (Rs. crore)	11.1	10.4
PAT (Rs. crore)	0.1	0.2
OPBDIT/ OI (%)	13.6%	15.7%
RoCE (%)	6.4%	7.0%
Total Debt/ TNW (times)	5.4	4.7
Total Debt/ OPBDIT (times)	12.5	11.1
Interest coverage (times)	1.1	1.0
NWC/ OI (%)	174.4%	198.5%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);

NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				October 2017	April 2016	May 2015	July 2014
1	Fund based facilities	Long Term	5.50	[ICRA]B-(Stable) ISSUER NOT COOPERATING*	[ICRA]B-	[ICRA]B-	[ICRA]B-

* Issuer did not cooperate; based on best available information

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Cash credit	-	-	-	5.50	[ICRA]B-(Stable) ISSUER NOT COOPERATING*

* Issuer did not cooperate; based on best available information
Source: Alapatt Fashion Jewellery

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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

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