July 30, 2019

Anand Jewels (Indore) Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term: Fund based	37.5	37.5	[ICRA]BBB- (Stable); reaffirmed
Long-term/Short-term: Non-fund Based	42.5	52.5	[ICRA]BBB- (Stable)/A3; reaffirmed
Total	**80.0**	**90.0**	

** Instrument details are provided in Annexure 1*

Rationale

ICRA's ratings continue to favourably factor in Anand Jewels (Indore) Private Limited's (AJIPL) gradually strengthening position as a regional player in Indore, Madhya Pradesh, as evident from its healthy revenue growth in FY2019. The extensive experience of the promoters of more than two decades in retail jewellery industry is a positive. The ratings also factor in the company's comfortable working capital intensity and liquidity profile aided by the presence of sizeable metal loans providing cushion from price variation risk. The ratings, however, remain constrained by the limited track record of the company, relatively modest scale and geographical-concentration risk as it derives revenues from a single store. Further, ICRA takes note of the recent increase in gold prices and the rise in import duty on gold, resulting in weak consumer demand. Going forward, the company's ability to increase its scale of operations through geographic diversification, improve its return metrics and maintain its liquidity position would be the key rating sensitivity.

Outlook: Stable

ICRA takes note of the extensive experience of the promoters in the retail jewellery industry. The outlook may be revised to Positive if the company continues to achieve significant improvement in its top line along with better profitability and liquidity position. The outlook may be revised to Negative if the company faces a decline in the scale and profitability levels, or elongation in working capital cycle, which weakens debt coverage and liquidity.

Credit strengths

- **Extensive experience of promoters**: The promoters have extensive experience in the jewellery retail business in Indore. AJIPL's Chairman Mr. Harbhajan Anand has more than five decades of experience in the retail jewellery business, while Mr. Gaurav Anand, the other director, has more than two decades of experience.

- **Increasing brand presence with improving top line**: The company has been promoting its products through various verticals and hence has a good brand presence in Indore. Its top line also grew 15.8% in FY2019 to Rs. 303.3 crore, primarily due to higher targeting and penetrating the lower per capita income group through an expanded product portfolio.

- **Availability of metal loan provides cushion from price variability**: The availability of metal loan as a source of the majority of funding provides cushion for the company against any price variations. This apart, as metal loans are available at cheaper interest rates, its overall interest burden also reduces.

Credit challenges

- **High geographical-concentration risk with one store in Indore**: High geographical-concentration risk prevails for the company as it has only one store in Indore. Despite a modest year-on-year increase in top line, the same remains moderate compared to competitor brands in the country.

- **Improving but modest coverage indicators**: The debt coverage indicators of the company have improved but remain moderate with total debt/operating profit ratio of 4 times in FY2019 against 6.3 times in FY2018. The interest coverage also remained moderate but improved to 3.4 times in FY2019 from 3.1 times in FY2018.

- **Exposure to global pricing variations, Government policies and weak market sentiment**: The dependence of gold price on global market scenarios continues to be critical as it remains volatile. This coupled with adverse Government policies and weak consumer demand across industries might impact the overall demand of gold.

Liquidity position

The liquidity position remained comfortable with working capital limit utilisation at ~61% in the last 12-month period, ending March 2019, further aided by free cash of Rs. 1.3 crore and Rs. 3.6 crore of unsecured loans from the promoters. As on March 31, 2019, the current ratio stood at 1.4 times.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Gold Jewellery Retail Industry
Parent/Group Support	Not applicable
Consolidation / Standalone	Standalone

About the company

AJIPL was established in 2008 by Mr. Gaurav Anand. It manufactures and sells gold ornaments, jewellery, precious stones and diamonds under the name Anand Jewels at M.G Road, Indore. The company's Chairman Mr. Harbhajan Anand has 50 years of experience and Mr. Gaurav Anand, one of the director of the firm, has 20 years of experience in the field of retail jewellery. The Anand family or Anand Corporation is a well-known business group in Madhya Pradesh, with major businesses in retail (automobile and jewellery), hospitality and real estate. At present, AJIPL has only one showroom at M. G. Road, a prime location of Indore.

Key financial indicators (Audited)

	FY2018	FY2019
Operating Income (Rs. crore)	262.0	303.3
PAT (Rs. crore)	5.4	7.5
OPBDIT/ OI (%)	4.4%	5.1%
RoCE (%)	12.4%	14.4%
Total Debt/ TNW (times)	2.2	1.5
Total Debt/OPBDIT (times)	6.3	4.0
Interest Coverage (times)	3.1	3.4

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

		Current Rating (FY2020)				Chronology of Rating History for the past 3 years		
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date &Rating July 2019	Date & Rating in FY2019 July 2018	Date & Rating in FY2018 August 2017	Date & Rating in FY2017 March 2017
1	Fund Based facilities	Long- term	37.50	37.50	[ICRA]BBB- (Stable); reaffirmed	[ICRA]BBB- (Stable); reaffirmed	[ICRA]BBB- (Stable); upgraded	[ICRA]BB+ (Positive); upgraded
2	Non-fund Based facilities	Long- term/Short- term	52.50	52.50	[ICRA]BBB- (Stable)/A3; reaffirmed	[ICRA]BBB- (Stable)/A3; reaffirmed	[ICRA]BBB- (Stable)/A3; upgraded	[ICRA]BB+ (Positive)/A3; upgraded

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

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based facilities	-	-	-	37.50	[ICRA]BBB- (Stable)
NA	Non-fund Based facilities	-	-	-	52.50	[ICRA]BBB- (Stable)/A3

Source: AJIPL

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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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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