

Rating Rationale

Brickwork Ratings Upgrades rating to ‘BWR BB+’ from BWR BB for the Bank Loan facilities amounting to ₹ 9 Cr of Akshaya Ornaments Pvt Ltd

Brickwork Ratings has *upgraded* the following **Ratings**¹ for Bank Loan facilities sanctioned by *State Bank of Hyderabad* to Akshaya Ornaments Private Limited (AOPL or the Company)

Facility	Limits (₹ Cr)	Tenure	Previous Rating June 2013	Review	Rating
Fund Based Cash Credit	9.00	Long Term	BWR BB (BWR Double B) Outlook-Stable	Upgradation	BWR BB+ (Pronounced BWR Double B Plus) Outlook-Stable
Total	9.00	INR Nine Crores only.			

BWR has principally relied upon the audited financial of FY13, provisional financials of FY14, projected financials for the period FY15 & FY16 of *Akshaya Ornaments Private Limited* and publicly available information and information/clarification provided by the Company’s management. AOPL being a new concern which has started its commercial operations in FY14 only, BWR also factored the credentials of group concern GM Jewellers.

The rating has factored in the promoter’s experience & past track record in this line of activity, stabilized operations and considerable financial performance in FY14, successful opening of retail outlet and further plans for expansion and synergies derived from the group concern “*GM Jewellers*” in the similar line of activity. However, the rating is constrained by limited track record of AOPL, Company’s inability to meet the projections estimated for FY14, low net worth, high working capital intensive operations and risks associated with the volatile gold prices.

Company Background

Akshaya Ornaments Private Limited (AOPL), was incorporated on 24th Feb 2012 and started its operations in Feb 2013. Mr. Vimal Goel and Mr. Manoj Vimal are the promoters and Directors of the company. AOPL is engaged in manufacturing and trading of gold jewellery on retail and wholesale basis. The Company’s 800 sq.ft retail outlet is located in Abids, Hyderabad.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Group Concern Details

G.M. Jewellers (GMJ), a proprietorship concern promoted by Mr. Vimal Goel is engaged in manufacturing and whole-sale trading of gold ornaments. The firm has a network of craftsmen in Hyderabad and elsewhere and gets its jewellery manufactured according to their needs, by supplying bullion and other precious/semi-precious gems. Finished jewels are supplied to reputed clients both in AP and outside.

For FY13, GMJ's has reported net profit of ₹ 4.56 Cr on net sales of ₹ 136.79 Cr, as against net profit of ₹ 3.09 Cr on net sales of ₹ 103.67 Cr. The firm has shown considerable growth in the revenues and profit margins in the last three years. As on 31st March 2013, the firm's tangible net worth and bank borrowings stood at ₹14.87 Cr and ₹ 1.81 Cr, respectively. For FY14 Provisional, the firm has reported net profit of ₹ 5.37 Cr on net sales of ₹159.36 Cr. The overall financial strength of GMJ is backed by good net worth and profit margins.

Management Profile

Mr. Vimal Goel aged about 51 years is in the business of manufacturing and trading of gold and silver since 1980 and started wholesale business in the name of "GM Jewellers", ten years ago as a proprietary concern. Mr. Vimal Goel hails from the family business involved in making and trading of gold silver ornaments in wholesale as well as retail for more than 3 decades.

Mr. Manoj Vimal is about 30 years old. He has done his MBA from UK, and worked there for a few years. Form last year he joined the family business in GMJ, and started AOPL along with his father. The business of AOPL will be significantly in Retail trade and will complement the Wholesale business of GMJ.

Financial Performance of AOPL:

The Company has shown a considerable financial performance in its first full year of operation. As per FY14 provisional figures, the Company has reported net profit of ₹ 2.19 Cr on net sales of ₹ 72.44 Cr. However, it has not met the projected revenues and profit margins for FY14, due to industry concerns like govt. regulations on gold imports, and consequent reduced availability of gold in the market. As on 31st March 2014, the tangible net worth stood at ₹ 5.23 Cr and the only borrowing is by way of working capital facility from the Bank. Gearing level is moderate at 1.71 times.

Rating Outlook

The rating outlook for AOPL is expected to be stable in the near term in view of stabilized operations and adequate financial performance in FY14. The Company's ability to scale up its operations with the expansion of outlets, ability to face local competition, especially from branded Retail Jewellery chains and effective working capital management will remain the key rating sensitivities.

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