

Rating Rationale

Brickwork Ratings assigns 'BWR BB' for the Bank Loan Facilities aggregating ₹ 50.00 Cr of Amar Jewellers Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the bank loan facilities of Amar Jewellers Ltd. ('AJL' or 'the Company'):

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based (FB)			BWR BB (Pronounced BWR Double B) Outlook : Stable
Cash Credit	40.00	Long Term	
Overdraft	7.00		
Proposed (CC)	3.00		
Total Limits	50.00	(INR Fifty Crores only)	

BWR has essentially relied upon the audited financial results of AJL up to FY14, projections, information and clarifications provided by the management of the company.

The rating factors inter alia, promoters' track record and experience in the industry, Company's long track record in the Bullion Industry, diversified client base, moderate gearing profile and healthy revenues recorded as on Dec 31, 2014. The rating is however constrained by Company's low profitability margins and exposure to volatility in trading volumes in the bullion business. The rating is also constrained by the exposure to the regulatory changes by the Reserve Bank of India (RBI).

Background

Amar Jewellers Ltd was incorporated in 1995 as a private limited company 'Amar Jewellers Pvt Ltd' with Mr. Alpesh Vaivya and Mr. Maganbhai Vaivya (father of Mr. Alpesh) as directors. In 2010, the Company was constituted as public limited company (closely held) and renamed 'Amar Jewellers Ltd'. The Company is engaged in manufacturing and trading of gems and jewellery and bullion. Major revenues of the Company are derived from the trading of bullions which contributes more than 80% of the revenues. Under the jewellery segment, the Company manufactures gold, silver, diamond studded jewellery and other ornaments. Amar Jewellers is a Government of India Ministry of Commerce recognized Export House since 2010.

Management Profile

Mostly a family controlled business entity. The promoters of the Company are Mr. Alpesh Vaivya and Mr. Maganbhai Vaivya. The present Directors of the Company are Mr. Alpesh Vaviya, Mr. Nitesh Vaviya, Mr. Maganbhai Vaviya and Mr. Maganbhai Vaviya. Mr. Alpesh is the Managing Director of the Company and holds 20 years of the experience in the bullion and jewellery industry.

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

Financial Performance

The total operating of the Company income declined to Rs. 1500.88crs in FY14 as compared to Rs. 4469.39crs in FY13 due to strategic curtailment of the bullion trading business and also due to RBI's restriction. The operating profit of the Company also declined to Rs. 9.12crs in FY14 as compared to Rs. 12.92crs in FY13. The PAT levels remained stable at Rs. 5.72crs in FY14. As on 31st Dec, 2014 the Company has recorded sales of Rs. 2225.81crs.

Rating Outlook

The outlook on the rating is expected to be stable over the current year. Going forward the Company's ability to improve its turnover and profitability amidst volatility in the commodity prices, strengthen its capital structure and improvement in working capital management shall be the key rating sensitivities.

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