

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' for the Bank Loan Facilities aggregating ₹ 9 Cr of T C Ornaments Private Limited.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of T C Ornaments Pvt. Ltd ('TCOPL' or the 'Company'):

| Facility | Limits (₹ Cr) | Tenure | Rating |
|--------------|------------------|-------------------------------|---------------------------------------------------------------------|
| Cash Credit | 9.00 | Fund Based Long Term | BWR BB- (BWR Double B Minus) Outlook-Stable |
| Total | 9.00 | (INR Nine Crores only) | |

BWR has principally relied upon the company's audited financial results up to FY13, projected financials up to FY15, publicly available information and information/clarifications provided by the company's management.

The rating derives strength from the extensive experience of the promoters in the jewellery industry, established supplier relationships and the strong market presence of the company in an advantageous location. The rating, is, however, constrained by the fragmented nature of and intense competition in the jewellery industry, vulnerability of the revenues and margins to fluctuations in the gold prices, geographical concentration of revenues mainly in the Delhi region, low profitability and governmental regulations which have reduced availability of gold for domestic business.

Background:

T C Company was incorporated in 2000 as proprietorship firm and was reconstituted as a private limited company in 2011 as T C Ornaments Pvt. Ltd. The registered office and showroom of the company is in Chandni Chowk, New Delhi. The company is mainly involved in trading of gold and selling gold and diamond jewellery. The company procures gold and diamond from the local markets. The company does not have its own manufacturing facilities and provides designs along with gold and diamonds to the local artisans. The company's revenues are classified into Retail and Wholesale. The wholesale segment business accounts for approx. 90% of total sales followed by Retail sales of approx. 10%. Gold and gold jewellery contribute almost 97% of the total revenue of the company. TCOPL has around 50 employees. The company's associate company is Tirupati Silver House Pvt Ltd, which deals in silver jewellery.

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

Management Profile:

Mr. Jagmohan Garg is the Chairman and Managing Director of the company and the other director is Mrs. Alka Garr, his wife. Mr. Jagmohan Garg has over three decades of industry experience.

Financial Performance:

TCOPL reported Net sales of ₹312.66 Cr in FY13 as against ₹126.24 Cr in FY12, a growth of around 148 % mainly driven by increase in volumes and higher gold prices. Net profit of the company increased in FY13 to ₹0.31 Cr as against ₹0.10 Cr in FY12. Debt to equity ratio was 0.16 times in FY13 compared to 0.24 times in FY12. Tangible net worth as on 31st March 2013 was ₹2.99 Cr. Current ratio was 1.25 times in FY13 as against 1.39 times in Fy12. On a provisional basis, the company has reported lower sales of approx ₹190.00 Cr. for the period April-March 2014. The decrease in sales is reportedly due to reduced availability of gold on account of government restrictions on trading and import of gold.

Rating Outlook:

The outlook is expected to be stable over the current year. Going forward, the ability of the company to register consistent growth in revenue in the face of severe competition, increase its scale of operations, improve its profit margins and manage its working capital efficiently would be the key rating sensitivities. Government regulations to restrict imports or purchase of gold could have an adverse impact on the business of the company.

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