

Rating Report

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.

The Company caters to retail and direct customers. For the direct customers, the amount is received through RTGS at the time of delivery and for the retail customers a credit period of 7 days is granted.

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

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

Managing Director of the Company and holds 20 years of the experience in the bullion and jewellery industry.

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 operating margin of the Company remained low at 0.61% in FY14 despite showing improvement compared to FY13. The PAT levels remained stable at Rs. 5.72crs in FY14. The PAT margins of the Company remained low 0.38% in FY14 as against 0.13% in FY13 on account of low profitability in the bullion business.

The total debt of the Company declined marginally to Rs. 27.57crs in FY14 from Rs. 29.33crs in FY13. The networth of the Company improved to Rs. 33.27crs in FY14 from Rs. 26.57crs in FY13 driven by capital infusion in equity. The gearing of the Company improved to 0.83 times in FY14 from 1.10 times in FY13 on account of improved networth. The ISCR ratio was satisfactory at 2.32x 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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Amar Jewellers Ltd

ANNEXURE I

Abridged Balance Sheet

Particulars (Rs in Crores)	31-Mar-2012	31-Mar-2013	31-Mar-2014
Liabilities	Audited	Audited	Audited
EQUITY AND RESERVES	21.24	26.82	33.43
Share capital	0.65	1.30	4.99
Reserves and Surplus	20.59	25.52	28.44
Non-current liabilities	7.71	11.29	7.17
Long-Term Borrowings	7.71	11.29	7.17
Current liabilities	32.50	25.42	26.22
Short-Term Borrowings	24.86	18.04	20.40
Trade Payables	0.16	0.61	1.02
Other Current Liabilities	2.79	3.92	2.93
Short-Term Provisions	4.69	2.85	1.86
Total Liabilities	61.45	63.53	66.82
ASSETS			
Non-current assets	5.34	4.47	5.92
Net Fixed assets	2.07	4.03	5.50
Net Intangible assets	0.29	0.26	0.15
Deferred Tax Assets (Net)	0.11	0.13	0.22
Long Term Loans and Advances	2.86	0.04	0.04
Current assets	56.11	59.06	60.90
Inventories	41.53	34.57	32.03
Trade Receivables > Six Months	0.32	0.30	0.30
Trade Receivables < Six Months	1.35	10.95	17.99
Cash and Cash Equivalents	4.02	3.53	0.84
Short-Term Loans and Advances	8.90	9.71	9.12
Other Current Assets	0.00	0.00	0.61
Total Assets	61.45	63.53	66.82

Amar Jewellers Ltd

ANNEXURE II

Particulars (Rs in Crores)	31-Mar-2012	31-Mar-2013	31-Mar-2014
Result Type	Audited	Audited	Audited
Net Sales	3087.21	4482.31	1500.88
Other Operating Income	0.00	0.00	0.00
Total Operating Income	3087.21	4482.31	1500.88
Operating Expenses	3076.64	4469.39	1491.77
OPBDIT	10.56	12.92	9.12
Depreciation/Amortization/Impairment	0.63	0.91	1.21
OPBIT	9.94	12.00	7.91
Interest and Finance Charges	60.91	5.08	3.92
OPBT	-50.97	6.92	3.99
Non Operating Income(Expenses)	65.14	1.49	0.48
PBT	14.17	8.41	4.47
Extraordinary/Prior Period - Income(Expense)	0.00	0.00	4.26
Provision for Taxes	4.61	2.75	3.01
PAT	9.57	5.66	5.72

Key Ratios

Ratios	Units	31-Mar-2012	31-Mar-2013	31-Mar-2014
Total Debt	Rs in Crores	32.57	29.33	27.57
Tangible Net Worth	Rs in Crores	20.95	26.57	33.27
Capital Employed	Rs in Crores	53.40	55.76	60.63
Total Debt/TNW	Times	1.55	1.10	0.83
Long Term Debt/TNW	Times	0.37	0.42	0.22
TOL/TNW	Times	1.56	0.98	0.86
ISCR	Times	0.17	2.54	2.32
Net Cash Accruals/Total Debt	Times	1.58	0.24	0.25
Net Profit Margin	%	0.31	0.13	0.38
Operating Profit Margin	%	0.34	0.29	0.61
ROCE	%	2.13	21.99	13.59
Current Ratio	Times	1.73	2.32	2.32
Days Receivables	Days	0	1	4
Days Inventory	Days	5	3	8
Days Payable	Days	0	0	0
Conversion Cycle	Days	5	4	12

* Calculation has been done based on BWR ratio definition