

Rating Report

Brickwork Ratings assigns 'BWR BB-' for the Bank Facilities of ₹ 10 Cr of Anandam Jewellers

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities amounting to ₹ 10 Cr of Anandam Jewellers.

Facility	Limits (₹ Cr)	Tenure	Ratings
Fund Based: Cash Credit	10.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) (Outlook: Stable)
Total	10.00	(INR Ten Crores Only)	

BWR has essentially relied upon the audited financial results of Anandam Jewellers up to FY 13, provisional financials for FY'14 and projections for FY15, and information and clarifications provided by the Firm.

The rating factors the experience of the promoters in the jewellery industry, consistent growth in revenues, track record of developing relationship with clientele as well as suppliers, good order-book position and moderate financial performance. However, the rating is constrained by the relatively small scale of operations, competitive nature of business, volatility in gold prices, regulatory risk and low profitability coupled with consequent small net worth.

Company Background:

Delhi based Anandam Jewellers (AJ) was established as a partnership firm in the year 2011 as a wholesale retailer. The Firm is engaged in manufacturing & trading of gold and diamond studded jewellery on retail as well as wholesale basis. Apart from that AJ is engaged in trading of Gold & Diamonds Jewellery articles and Precious & Semi Precious Stones. Mr. Manoj Soni and Mr. Vikas Verma are the two partners of the firm. Both the Partners of the Firm belong to jewellery community and have expertise in trading of jewellery. The showroom is located in a prime location in the Jewellery market at Karol Bagh.

The firm is operating under the guidance of the partners with around 15-20 employees with the required proficiency in designing and manufacture of jewellery. Apart from 'AJ', another associate firm namely Diamond Jewels Corporation, a partnership concern established in 2011, where Mr Manoj Soni is a common partner is engaged in the same line of activities.

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

Financial Performance:

For FY13, the Firm has reported turnover of ₹64.55 Crs. This was the full year of operations. However, Profitability was low with PAT at ₹0.20 Crores. The Firm's net worth is small; however the promoters have brought in additional investment, and overall, the Net Worth improved from ₹0.57 Crs in FY'12 to ₹2.39 Crs in FY'13. The debt protection metrics, mainly interest coverage ratio and NCATD have remained moderate on account of low profitability. During FY'14 receivables period was at a comfortable level. As per Provisional financials, the turnover amounted to ₹80.19 Crs for FY14.

For FY 14-15, the Company is expected to achieve a turnover of ₹96.00 Crs approximately.

The financial details are in the Annexures I, II & III.

Credit Risk Assessment:

The Firm's financial profile, marked by high gearing and low net worth and profitability margin during FY'14. However, regular capital infusion by promoters is expected to improve the net worth level in the medium term.

Firm's scale of operation is increasing, within 03 years of operation the Firm has achieved around ₹80 Crs. Further, the firm does not have any long term loan. The Firm depends on high working capital borrowing due to low cash accruals due to low profitability margin and stretched liquidity

Rating Outlook:

Firm's rating outlook for the next year is 'Stable'. Going forward, ability of the Firm to retain the customer portfolio, achieve the projected volume of sales and improve the level of profitability and net worth, as also optimally use working capital facilities - will be the key rating sensitivities.

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Anandam Jewellers

Balance Sheet

Annexure: I

Balance Sheet				
₹ in Crores	Mar/11	Mar/12	Mar/13	Mar/14
Liabilities	Audited	Audited	Audited	Provisional
EQUITY AND RESERVES	0.52	0.57	2.39	2.63
Share capital	0.52	0.57	2.39	2.63
Non-current liabilities	3.50	0.07	0.06	0.00
Long-Term Borrowings	3.50	0.07	0.06	0.00
Current liabilities	0.89	4.33	8.83	11.85
Short-Term Borrowings	0.89	0.75	7.99	10.98
Current Portion Of Long Term Debt	0.00	0.00	0.00	0.04
Trade Payables	0.00	3.55	0.12	0.00
Other Current Liabilities	0.00	0.00	0.63	0.72
Short-Term Provisions	0.00	0.02	0.09	0.10
Total Liabilities	4.90	4.96	11.28	14.48
ASSETS				
Non-current assets	0.00	0.09	0.09	0.09
Net Fixed assets	0.00	0.09	0.09	0.09
Current assets	4.90	4.87	11.19	14.39
Inventories	1.14	1.11	11.05	10.13
Trade Receivables < Six Months	3.74	3.75	0.02	4.04
Cash and Cash Equivalents	0.02	0.01	0.01	0.09
Other Current Assets	0.01	0.01	0.10	0.13
Total Assets	4.90	4.96	11.28	14.48

Anandam Jewellers

Income Statement

Annexure: II

Profit and Loss Account				
₹ in Crores	Mar'11	Mar'12	Mar'13	Mar'14
Result Type	Audited	Audited	Audited	Provisional
Gross Sales	11.06	21.57	64.55	80.19
Net Sales	11.06	21.57	64.55	80.19
Total Operating Income	11.06	21.57	64.55	80.19
Operating Expenses	10.96	21.26	63.79	78.72
OPBDIT	0.09	0.31	0.77	1.47
Depreciation/Amortization/Impairment	0.00	0.02	0.02	0.02
OPBIT	0.09	0.29	0.75	1.45
Interest and Finance Charges	0.06	0.21	0.46	1.14
OPBT	0.03	0.08	0.29	0.32
PBT	0.03	0.08	0.29	0.32
Provision for Taxes	0.00	0.00	0.09	0.10
PAT	0.03	0.08	0.20	0.22

Annexure: III: Ratio Analysis (As Per BWR Calculation)

Particulars	FY'11 Audited	FY'12 Audited	FY'13 Audited	FY'14 Provisional
Total Debt	4.39	0.82	8.05	11.03
Tangible Net Worth	0.52	0.57	2.39	2.63
Capital Employed	4.90	1.39	10.45	13.65
Total Debt/TNW	8.48	1.45	3.37	4.19
Long Term Debt/TNW	6.77	0.13	0.03	0.00
TOL/TNW	1.72	7.78	3.72	4.50
ISCR	1.50	1.47	1.68	1.29
Net Cash Accruals/Total Debt	0.01	0.12	0.03	0.02
Net Profit Margin	0.28	0.37	0.31	0.27
Operating Profit Margin	0.84	1.43	1.19	1.83
ROCE	1.90	9.24	12.66	12.05
Current Ratio	5.52	1.13	1.27	1.21
Days Receivables	123	63	11	9
Days Inventory	38	19	35	49
Days Payable	0	31	9	0
Conversion Cycle	161	52	36	58