

### Abhilasha Jewellers Private Limited: Downgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	80.00	SMERA BBB/Stable (Downgraded from SMERA BBB+/Stable)
Proposed Cash Credit	5.00	SMERA BBB/Stable (Assigned)

SMERA has downgraded the long term rating of Abilasha Jewellers Private Limited (AJPL) on the abovementioned facilities to **'SMERA BBB' (read as SMERA triple B)** from 'SMERA BBB+' (read as SMERA triple B plus) and also assigned a rating of **'SMERA BBB' (read as SMERA triple B)** on the Rs.5 crore bank facility. The outlook is **'Stable'**. The rating downgrade is in view of the declining operating margins and lower than expected performance of the group.

The ratings continues to draw support from the established track record of operations, diverse revenue profile coupled with strong customer relations and moderate financial risk profile. However, the ratings are constrained by the group's exposure to intense competition in the gold jewellery business.

For arriving at the rating, SMERA has consolidated the business and financial risk profiles of Prakash Gold Palace Private Limited (PGPPL), its wholly owned subsidiary viz. Prakash Gold Palace (FZE) and AJPL together referred to as the PGP Group. The consolidation is in view of the common ownership and operational linkages within the group.

#### Update

The revenue of the group increased from Rs.1625.82 crore in FY2014-15 to Rs.1837.42 crore in FY2015-16 on account of incorporation of 'Prakash Gold Palace (FZE)', a wholly owned subsidiary of PGPPL at Dubai. Out of the total group revenue of Rs.1837.42 crore, exports contributed Rs.413.19 crore while Rs.243.61 crore is from sales of its Dubai subsidiary, Prakash Gold Palace (FZE). For Q1FY2016-17, the PGP Group registered revenue of Rs.454.72 crore. The operating margins declined during the period under study. The EBIDTA margin fell to 2.76 per cent in FY2015-16 as compared to 3.04 per cent in FY2014-15.

The financial risk profile of the group continues to be moderate marked by interest coverage ratio of 1.86 times as on March 31, 2016. Further the networth stood at Rs.141.94 crore as on March 31, 2016 as compared to Rs.122.25 crore as on March 31, 2015. The gearing stands at 2.49 times as on March 31, 2016 (2.60 times as on March 31, 2015). The group is in the process of enhancing its working capital limits by Rs.150 crore for scaling up operations. SMERA expects that the said enhancement would impact the financial risk profile of the group leading to high gearing and pressure on profit margins.

The operations are working capital intensive as reflected in the GCA days that stood at 90 for FY2015-16 as against 86 for FY2014-15. The group's average bank limit utilisation stands at ~95 per cent from January 2016 to June 2016.

Further, the PGP Group continues to face intense competition from organised as well as unorganised players in the gems and jewellery industry.

### Rating Sensitivity Factors

- Increase in scale of operations while maintaining profit margins
- Efficient working capital management
- Deterioration of the capital structure

### Outlook-Stable

SMERA believes that the PGP Group will continue to maintain a stable outlook over the medium term owing to its promoters experience in the industry. The outlook may be revised to 'Positive' if the group is able to register healthy revenues while sustaining profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins and higher than expected deterioration in the financial risk profile.

### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### About the Group

PGPPL, incorporated in 1998 is a manufacturer, wholesaler, retailer and an exporter of gold jewellery while AJPL, incorporated in 2003 generates revenue primarily from wholesale of gold jewellery and its wholly owned subsidiary viz. Prakash Gold Palace (FZE) incorporated in 2014. The group's operations are managed by its promoter, Mr. Prakash Chand Jain who possesses over three decades of experience in the gold jewellery business.

For FY2015-16, the PGP Group registered profit after tax (PAT) of Rs.18.80 crore on operating income of Rs.1837.42 crore as compared to PAT of Rs.13.88 crore on an operating income of Rs. 1625.82 crore for FY2014-15. On standalone basis, AJPL registered PAT of Rs.2.77 crore on operating income of Rs.395.30 crore for FY2015-16 as against PAT of Rs.2.61 crore on operating income of Rs.402.53 crore for FY2014-15.

### Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
16 July, 2015	Cash Credit	68.00	SMERA BBB+ (Assigned)	-	Stable
	Cash Credit - Proposed	12.00	SMERA BBB+ (Assigned)	-	Stable

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## ABOUT SMERA

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