

Press Release

KHANDELWAL JEWELLERS (AKOLA) PRIVATE LIMITED

November 20, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 21.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 21.50 crore bank facilities of KHANDELWAL JEWELLERS (AKOLA) PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in April 1999 by Mr. Nitin M Khandelwal, Mr. Ravindra M Khandelwal, Mrs. Prabha N Khandelwal and Mrs. Ekta R Khandelwal, Khandelwal Jewellers (Akola) Private Limited (KJAPL) is a retailer and wholeseller of gold, diamond and platinum jewellery. The company operates from its two showrooms at Akola.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Incorporated in April 1999, KJAPL has a track record of over two decades in the jewellery business. The company is led by Mr. Nitin M Khandelwal and Mr. Ravindra M Khandelwal, the third generation entrepreneurs.

- **Established position in Akola**

The established position is reflected in the two showrooms located on MG Road - a prime location in Akola. The old showroom is of about 4,000 sq feet while the new showroom is spread across 7,000 sq feet. The revenue of the company stood at ~ Rs 172.28 crore in FY2017 (Provisional) as against Rs 305.21 crore in FY2016.

- **Healthy scale of operations**

The scale of operations is healthy with revenue of Rs 172.28 crore in FY2017 (Provisional) as against Rs 305.21 crore in FY2016. During the first quarter ended June 2017, the company booked revenue of Rs 65 crore.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by comfortable networth of Rs 16.06 crore in FY2017 (Provisional) compared to Rs 15.30 crore in FY2016. While arriving at the ratings, SMERA has considered the unsecured loan of Rs 6.01 crore as quasi equity as the same is subordinated to bank. SMERA has also received an undertaking from the management that the said amount will remain in business in the medium term. The gearing stood comfortable at 0.90 times in FY2017 (Provisional) as against 1.82 times in FY2016. The debt protection metrics stand moderate as envisaged with interest coverage ratio at 1.65 times in FY2017 (Provisional) as against 1.51 times in FY2016.

Weaknesses

• Working capital intensive operations.

The operations are working capital intensive reflected in the gross current asset days of 136 in FY2017(Provisional) as against 76 days in FY2016. The rise in GCA days is primarily due to rise in inventory days to 80 in FY2017 (Provisional) from 55 days in FY2016. With a strategic shift to retail jewelry sales from FY2017 with the setting up of a new unit in April 2017, the company needs to keep certain level of inventory on display. The average utilization on CC has been almost full.

• Geographical concentration risk

KJPL is exposed to geographical concentration risk as both the showrooms are located in Akola (Maharashtra).

• Intense competition from organized and unorganized players

The company faces intense competition from organized and unorganized players in the industry.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of KJAPL.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook and continue to benefit over the medium term from its promoters' extensive experience in the jewelry industry. The outlook may be revised to 'Positive' in case of a substantial and sustained increase in revenue and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue, profitability margins or significant deterioration in the capital structure due to stretch in working capital cycle.

About the Rated Entity - Key Financials

None

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not	Not	12.50	SMERA BB / Stable

		Applicable	Applicable		
Letter of credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4+

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ABOUT SMERA

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