

Press Release

Arundhati Jewellers Private Limited

March 02, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	ACUITÉ BBB-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of '**ACUITÉ BBB-**' (read as **ACUITÉ Triple B Minus**) on the Rs 28.00 Cr. bank facilities of Arundhati Jewellers Private Limited (AJPL). The outlook is '**Stable**'.

The rating reflects the healthy business profile of the company, along with an improving financial risk profile. The company has witnessed sustained growth in their turnover levels backed by addition to their number of showrooms and expansion of existing unit. Similarly, increased cash accruals have led to low reliance on debt, which in turn, have translated into improved debt protection measures and better leverage.

Arundhati Jewellers Private Ltd was incorporated in 2005 by Odisha based Meher family. AJPL is engaged in jewellery retail business in Odisha. Currently, the company operates 5 showrooms in Odisha.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of AJPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

AJPL was incorporated by Mr. Brahmananda Meher who possesses almost 2 decades of experience in Jewellery retail business through the erstwhile proprietorship entity. Presently, the company operates five showrooms in Odisha. The company reported an improvement in the scale of operation with sales at Rs 245.78 Cr in FY20 as against Rs 200.27 Cr. in FY19. The improvement is driven by addition of new showroom in Baigarh along with expansion in Bhubaneswar showroom. The management expects to continue penetrating into different parts of Odisha over the medium term. Acuite believes the scale of operation will continue to improve over medium term backed by addition of upcoming showroom in Berhampur (Odisha).

Comfortable financial risk profile

The financial risk profile of the AJPL is marked by its moderate net worth, comfortable gearing ratio and strong debt protection metrics. The net worth stood at Rs. 16.43 Cr. as on 31st March 2020 as compared to Rs 9.55 Cr. in the previous year due to retention of profit. The gearing of the company stood comfortable at 1.48 times in FY20 as against 2.42 times in the previous year. The improvement in the gearing levels in FY20 have been due to increased networth levels and the debt levels remaining almost static. The total debt of Rs.24.32 crore in FY2020 consists of short term borrowing of Rs 23.06 Cr, unsecured loan of Rs 0.98 crore and long term debt of Rs 0.29 Cr. TOL/TWN stood at 3.94 times in FY20 as against 4.27 times in FY19. AJPL's interest coverage ratio stood comfortable at 3.53 times as on 31st March, 2020 as against 2.88 times as on 31st March, 2019. This improvement is on account of rise in absolute EBITDA due to healthy revenue growth. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.27 times in FY2020 as compared to 0.20 times in the previous year. Acuite believes the financial risk profile to remain comfortable over the medium term due to steady accruals and no major debt led capex plans.

Weaknesses

Working capital intensive

The operations of the company are working capital intensive as evident from its high Gross Current Asset (GCA) days of 114 days in FY20 as 84 days in the previous year. The high GCA days are mainly due to high inventory days of 105 days in FY20. The company requires to maintain large stock of finished goods in its showrooms for display purposes. The debtor days of the company stood at negligible levels due to retail mode of operations. Acuite believes the working capital requirement is likely to remain similar due to high inventory levels.

Rating Sensitivity

- Improvement in capital structure
- Sustenance in revenue growth

Material Covenant

None

Liquidity Profile: Adequate

The company has an adequate liquidity profile as working capital utilization during 12 months ended January 2021 stood at around 71 percent. The company's net cash accrual stood comfortable at Rs 6.53 Cr. in FY20 as against no debt repayments. Current ratio stood at 1.21 times in FY20 as against 1.17 times in FY19. The company has unencumbered cash & bank balance of Rs 1.06 crores as on March 31, 2020. However the company had witnessed rise in GCA days to 114 days in FY20 as against 84 days in FY19 due to inventory days. Acuite believes liquidity profile will remain adequate in medium term backed by improvement in net cash accrual.

Outlook: Stable

Acuite believes the outlook on AJPL will remain 'Stable' over the medium term, backed by its long track record of operations and established position in Odisha. The outlook may be revised to 'Positive' if the company is able to scale up its operations along with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile due to rise in working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	245.78	200.27
PAT	Rs. Cr.	5.57	3.94
PAT Margin	(%)	2.27	1.97
Total Debt/Tangible Net Worth	Times	1.48	2.42
PBDIT/Interest	Times	3.53	2.88

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

None

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

NA

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB-/Stable (Assigned)
Adhoc Limit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Assigned)

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About Acuité Ratings & Research:

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