



Press Release
Arundhati Jewellers Private Limited
October 07, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	47.15	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	83.15	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE Triple B**) on the Rs. 47.15 Cr. bank facilities of Arundhati Jewellers Private Limited (AJPL). The outlook remains ‘**Stable**’.

Acuite has assigned its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE Triple B**) on the Rs.36.00 Cr. bank facilities of Arundhati Jewellers Private Limited (AJPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation

The rating reaffirmation is driven by sustained improvement in the business risk profile, resulting in an increase in operating revenue in the last two years. The revenues increased to Rs.803.29 Cr. in FY2024 (Prov) as against Rs.699.75 Cr. in FY2023. The rating also draws comfort from the expansion in the number of showrooms in Odisha along with a moderate financial risk profile with improving net worth and healthy debt protection metrics. The rating further factors in the experienced management and geographical penetration across various cities in Odisha.

However, these strengths are offset by the moderated profitability margins and the presence in a highly competitive and fragmented industry. Going forward, the improvement in the profitability margins will be key monitorable.

About the Company

Incorporated in 2005, Arundhati Jewellers Private Limited (AJPL) is based in Odisha and is managed by the Meher family. The company is a retailer of gold jewellery and is also engaged in the trading of other items such as silver, precious stone ornaments and sarees. Currently, the company operates nine showrooms in Odisha.

Unsupported Rating

Not Applicable

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

Arundhati Jewellers Private Limited (AJPL) is promoted by Mr. Brahmananda Meher and his family. The promoter has more than two decades of experience in the jewellery retail business. The company has established a long track record of operations of around two decades and currently has nine showrooms in Odisha.

Acuite believes that the vintage of the promoters and the long standing operations of the company will continue to support AJPL going forward.

Sustained revenue growth backed by geographical penetration

The scale of operations of the company has registered steady increase over the years. The revenues increased to Rs.803.29 Cr. in FY2024 (Prov) as against Rs.699.75 Cr. in FY2023 and Rs.432.60 Cr. in FY2022 with a

reporting CAGR of 36.27 percent for the last three years ending FY2024(prov). Moreover, the company has achieved revenues of Rs.370.60 Cr in 5MFY2025. The upsurge in the revenue level is supported by the geographically diversifying spread of the company coupled with the addition of new showrooms, which led to deeper penetration in semi-urban and rural markets. Further, AJPL has added two new showrooms in Puri and Cuttack in H1FY2025 which will further aid in the improvement of the turnover of the company. With the forthcoming festival and marriage season, the company expects to achieve a turnover of Rs.1000 Cr. in FY2025. The operating margins of the company are in a similar line for the last two years with 3.98 percent in FY2024(prov) as against 3.88 percent in FY2023. . The moderate margins are on account of the opening of new stores, has led to a moderate increase in one-time administrative and promotional expenses. The PAT margin of the company stood at 1.81 percent in FY2024(prov) as against 1.71 percent in FY2023. Going forward, improvement in the margins will be key monitorable.

Acuite believes that, going forward, the scale of operations will continue to improve over the medium term driven by the addition of new showrooms and the ramp up of operations in all the showrooms.

Moderate financial risk profile

The company's moderate financial risk profile is marked by improving net worth, moderate gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.63.26 Cr. as on March 31, 2024 (Prov) as against Rs.48.70 Cr. as on March 31, 2023 due to accretion of reserves. The total debt of the company is Rs.98.98 Cr. as on March 31, 2024 (prov) consists of short-term debt of Rs.82.10 Cr, long term debt of Rs.11.88 Cr, USL of Rs.0.98 Cr. and CPLTD of Rs.4.03 Cr.

The gearing of the company stood moderate at 1.56 times as on March 31, 2024 (Prov) as against 1.72 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved and stood at 3.12 times as on March 31, 2024 (Prov) as against 3.64 times as on March 31, 2023.

Acuite believes that going forward the financial risk profile of the company will continue to remain moderate backed by steady accruals.

Weaknesses

Moderately efficient working capital management

AJPL's working capital management is moderately efficient marked by Gross Current Assets (GCA) of 98 -99 days for the last two years ending March 31, 2024(prov). The gross current assets majorly consist of inventory due to keeping a high stock of finished goods in the showrooms for display purposes. The inventory period stood moderate at 94 -97 days for the last two years ending March 31, 2024(prov).

Further, the working capital requirements of the company is supported by the fund-based limits, which remained moderately high utilised at 85.23 percent for the last 12 months ended August 2024.

Acuite believes that the working capital operation of AJPL will remain around similar levels over the medium term due to the nature of the business.

Highly competitive industry coupled with high commodity risk

Gold being a commodity, price is influenced by various factors including demand and supply. The price fluctuation risk could have adverse impact on company's earnings. However, the risk of gold price fluctuation is mitigated to some extent by way of procuring gold on daily basis on the actual sale made by the company.

Moreover, gold jewellery retailing is a highly-fragmented segment, with the presence of large organised and numerous unorganised players. The company faces tough competition from regional and national players such as Lalchand Jewellers Private Limited, Khimji-KD Sons Private Limited, Tanishq, Kalyan Jewellers among others. Further, increase in the disposable income of both middle class and upper middle class and change in lifestyles of people leads to shifting of consumer base to branded jewellery. This will be a major risk factor for long term growth of the company.

Rating Sensitivities

- Improvement in the capital structure and financial risk profile of the company.
- Sustenance in revenue growth along with substantial improvement in profitability margins.

Liquidity Position: Adequate

The AJPL's liquidity position is adequate and is marked by sufficient net cash accruals for the repayment of the current year debt obligations. The net cash accruals stood at Rs.17.47 Cr. in FY2024(prov) as against the debt obligations of Rs.3.70 Cr. for the same period. Further, Acuite estimates that the company will generate NCA in the range of Rs.23.00-29.00 Cr. for FY2025-26 against the debt obligations of Rs.4.00 Cr. over the same period. The current ratio stood at 1.20 times as on March 31, 2024 (prov). The cash and bank balances of the stood at Rs.2.79 Cr. as on March 31, 2024 (Prov) and liquid investments at Rs.0.89 Cr. and the fund-based limit which remained moderately high, utilised at 85.23 percent for the last 12 months ended August 2024. Moreover, the working capital cycle of the group is moderately efficient marked by Gross Current Asset (GCA) of 99 days in FY2024 (Prov).

Acuite believes that going forward the company will maintain an adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes the outlook on AJPL will remain 'Stable' over the medium term backed by steady increase in the operating income along with moderate financial risk profile, long track record of operations and moderately efficient working capital management. The outlook may be revised to 'Positive' if the company is able to improve its profit margin and financial risk profile substantially while maintaining the revenue growth. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile or financial risk profile due to rise in working capital requirement.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	803.29	699.75
PAT	Rs. Cr.	14.56	11.93
PAT Margin	(%)	1.81	1.71
Total Debt/Tangible Net Worth	Times	1.56	1.72
PBDIT/Interest	Times	3.31	3.24

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jul 2023	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	3.97	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.18	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
03 May 2022	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	13.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BBB Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.18	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	3.97	ACUITE BBB Stable (Assigned)
02 Mar 2021	Ad-hoc Limits (Fund Based)	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.00	Simple	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.00	Simple	ACUITE BBB Stable Assigned
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.15	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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