

Original Kerala Jewellers

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	30.00	CARE B+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Original Kerala Jewellers (OKJ) is constrained by the entity's reliance on a single showroom presence in a highly competitive industry with small scale of operations, moderate capital structure, elongated working capital cycle and partnership nature of the constitution. However, the rating derives comfort from the strategically located showroom premise and established track record and experience of the promoter family of over 4 decades in the jewellery business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Increase in Total Operating Income (TOI) above ₹ 100.00 crore with sustainable Profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins at 6-7% or above.
- Improvement in operating cycle below 100 days with reduction in inventory days indicating higher churn of stock resulting in higher TOI levels.

Negative factors:

- Deterioration in the capital structure with deterioration in gearing above 3x.
- Any elongation in operating cycle leading to further deterioration of liquidity profile.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from the extensive experience of the promoter family in the industry and strategic store location over the medium term.

Detailed description of the key rating drivers:

Key weaknesses

Modest scale of operation with reliance on single showroom in a highly competitive industry

The scale of operation remained modest, marked by TOI of ₹ 69.84 crore in FY23 as against ₹ 61.41 crore in FY22. As per FY24 provisional financials, OKJ has achieved TOI of ₹ 79.62 crore with the traded volume of jewellery remaining almost flat for the past few years. OKJ operates out of a single owned showroom in T-Nagar, Chennai. Major competitors of OKJ are established brands like Tanishq Jewellery, GRT Jewellers, Saravana Stores Elite Gold, Kalyan Jewellers and Bhima Jewellers which have a presence in the vicinity.

Moderate capital structure and elongated working capital cycle

Capital structure of the firm is moderate marked by overall gearing of 2.48x as of Mar-23 (PY: 2.40x) majorly owing to high working capital utilisation (~99%), term loans availed, unsecured loans from individuals and advances from customers for gold scheme. Based on FY24 provisional financials, overall gearing has further deteriorated to 2.69x. Total debt to GCA ratio stood high at 154.81x as of Mar-23 (PY: 182.56x). With reliance on a single showroom in a highly competitive industry, OKJ maintains higher level inventory to maintain large display of products with varieties of designs and patterns leading to higher inventory days and elongated working capital cycle. Inventory holding stood at 341 days in FY23 (PY: 383 days).

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE Ratings Ltd.'s publications

Partnership nature of constitution with inherent risk of capital withdrawal

OKJ is constituted as a partnership entity wherein it is exposed to potential withdrawal of capital and resultant erosion of the net worth despite the firm's long history of successfully running the firm. Additionally, the partnership firms' limited access to external borrowing restricts their potential for expansion. However, large withdrawals leading to erosion of capital have not been observed in the recent past.

Key Strengths

Established track record of operations with experienced promoters in jewellery industry

OKJ is a partnership firm founded in the late 1970s, by the erstwhile promoter Mr. P.V. Emmanuel. The promoter family has been engaged in the gems & jewellery business since 1933 with origins in Kerala. The firm is presently run by fourth generation entrepreneur Mr. Emmanuel Babu and his family members. The Firm has been able to maintain its scale of operations in the past years despite challenges posed by covid and intense competition due to customer loyalty, brand recall, established relationship with suppliers and large display of jewellery designs.

Strategically located showroom premise

OKJ operates out of its owned showroom located at a prime location in T Nagar, Chennai. T. Nagar is part of Chennai's central business district and is a prominent retail hub. The showroom building has three floors with 10,000 Sq. ft. area of which 2 floors are dedicated for jewellery display. The showroom has been operational for over two decades and has sustained multiple economic cycles.

Liquidity: Stretched

The liquidity indicators of OKJ remained stretched marked by its low cash and bank balance, high utilisation of its working capital limits and elongated working capital cycle. Cash and bank balance remained low at ₹ 0.25 crore as on March 31, 2023 (PY: ₹ 0.33 crore). The working capital cycle is elongated at 336 days majorly due to high inventory holding (341 days as of Mar-23). Average monthly utilisation of the working capital facility stood at around 99% for the past 12 months ended Mar-24.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Retail](#)

About the company and industry

Industry Classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery and Watches

OKJ is a partnership firm founded in 1978, by the erstwhile promoter Mr. P.V. Emmanuel and is into retailing of gold and other jewellery. The promoter family has been engaged in the gems & jewellery business since 1933 with origins in Kerala. The firm is presently run by fourth generation entrepreneur Mr. Emmanuel Babu and family. OKJ's operations are presently based out of its own 10,000 sq. ft. store in T-Nagar, Chennai and is predominantly into retailing of gold jewellery followed by silver, diamond, platinum, and other articles.

Brief financials (Rs. crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total Operating income	61.41	69.84	79.62
PBILDT	3.24	3.79	4.67
PAT	0.09	0.15	0.29
Overall gearing ratio(times)	2.40	2.48	2.69
Interest coverage(times)	1.09	1.10	1.14

A: Audited; UA: Unaudited Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated facility is given in Annexure-3

Complexity level of various instruments rated: Please refer Annexure-4

Lender details: Please refer Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE B+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	30.00	CARE B+; Stable				

LT: Long term;

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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