

## Anjaneya Jewellery (Revised)

August 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	56.15 (Reduced from 57.00)	CARE BB-; Stable	Revised from CARE B+; Stable

Details of instruments/facilities in Annexure-1

### Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Anjaneya Jewellery (Anjaneya) considers improvement in total operating income (TOI) and profits in FY24 (refers to the period April 01 to March 31). The ratings further derive comfort from experienced promoters and the firm's long-standing presence in Vijayawada jewellery market. The ratings however remain constrained by leveraged capital structure, profitability exposed to volatility in bullion prices, highly competitive business, and risk associated with proprietorship nature of the entity.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive Factors

- Scaling up of operations and maintaining the PBILDT margin above 6% on a sustained basis.
- Improvement in the overall gearing to <1.5x on a sustained basis

#### Negative Factors

- Any debt funded capital expenditure deteriorating the capital structure leading to higher gearing levels >4x
- Dip in PBILDT margins below 2% on a continuous basis
- Further deterioration in liquidity parameters

### Analytical approach: Standalone

#### Outlook: Stable

CARE expects that firm will continue to benefit from its experienced promoters and management in the industry.

### Detailed description of the key rating drivers:

#### Key Weaknesses

#### Leveraged Capital Structure

The capital structure of the firm marked by overall gearing though improved but remain leveraged at 2.80x as on March 31, 2024 (UA) from 3.05x as on March 31, 2023, due to high debt levels at the back of higher WC utilization and addition of nominal term loans. The business is however supported by continuous fund infusions in the form of capital and unsecured loan (USL) by the proprietor and related parties.

The debt coverage indicators have improved though continue to remain weak marked by Interest coverage and TD/GCA standing at 1.44x and 25.45x, respectively, in FY24.

#### Presence in competitive and regulated industry

The domestic jewellery industry is fragmented and highly competitive with the presence of large numbers of organised and unorganised players. Being retail player in the market, Anjaneya faces stiff competition which puts pressure on its profitability. The sector has seen high regulatory interventions in the past with curbing gold imports, modifications in gold deposit schemes, increase in import duty etc.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Constitution as a proprietorship firm:**

The entity has been constituted as a proprietorship firm which has the risk of withdrawal of capital and may also restrict its financial flexibility at times of stress. However, the proprietor has been infusing unsecured loans as and when required to support operations.

**Key Strengths****Improved financial performance although scale of operations remained modest with moderate profit margins in FY24**

The total operating income (TOI) of Anjaneya remained modest though marginally improved to Rs 185 crore during FY24 from Rs 178 crore in FY23 mainly due to increase in gold prices while steady sales volumes. Further, the profit margin also improved in FY24 compared to FY23 backed by higher making charge on account of higher share of studded gold jewellery. The PBILDT and PAT margin improved to 6.14% and 1.74% during FY24 as against 4.36% and 0.48% in FY23 respectively.

Anjaneya directly procures ornaments from the dealers and displays the same in the showroom for retailing. And its also procures bullion and manufactures gold jewellery via its outsourced artisans on job work basis. Moderate margins are associated with jewellery retailing (major revenue contributor) and higher working capital requirement for inventory management, which puts additional pressure on the profitability.

Further, during 4MFY25, firm has reported TOI of Rs.~57 crore. The firm has a moderate networth base of Rs.~32 crore as on March 31, 2024.

**Extensive experience of promotor in the jewellery industry**

The proprietor Mr Venkata Rao Vadlamudi, has been in the business of manufacturing and retailing gold, silver and diamond jewellery since 1990. However, the proprietor got the registration in 2005 in the name of Anjaneya Jewellery. The family is also having a proprietor ship concern, which is manged by his son Mr Ramnath. The proprietor manages the day-to-day operations of Anjaneya. He is supported by his son Mr Ramnath. The proprietor has been resourceful, and has been infusing funds on need basis, and to support the operations of the firm.

**Liquidity: Adequate**

Liquidity position of the firm is adequate marked by adequate accruals against the debt repayment obligation of Rs 3.5 crore for FY25. Anjaneya has unencumbered healthy cash and cash equivalents of Rs.7.17 crore as on March 31, 2024, as against Rs.4.62 crore as on March 2023. The major cash component pertains to the insurance claim. Further, the proprietor has also been infusing capital on regular basis for its day-to-day business operations. Given, working capital intensive nature of business marked by elongated inventory holding period, firms's dependency on working capital borrowings remained high. The average utilization of WC limit stood above 95% for the past twelve months ended July 2024. The promoter has other sources of revenue as rental income from various properties in and around Vijayawada which provides additional cushion in the liquidity profile of the firm

**Assumptions/Covenants: NA****Environment, social, and governance (ESG) risks: Nil****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

Anjaneya Jewellery (Anjaneya) was established by Mr. V Venkat Rao in 2005. The proprietor is into jewellery business since 1990, but registered the firm in 2005, and operate under the brand name of Anjaneya Jewellers. The firm is a family business assisted by his son Mr. Ramnath Vadlamudi and brother Mr. V Srinivas. The firm is engaged in retailing of gold ornaments, silver articles, diamonds and precious stones. It also procures bullion and manufactures gold jewellery via its outsourced artisans on job work basis. It currently has only one owned retail showroom at Vijayawada consisting of two floors & operating at 4500 sq. ft. area. The property is owned by the proprietor having G+5 floor covering 15000 sft.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	4MFY25 (UA)
Total operating income	178.40	185.36	57.00
PBILDT	7.77	11.38	-
PAT	0.86	3.22	-
Overall gearing (times)	3.05	2.80	-
Interest coverage (times)	1.17	1.44	-

A: Audited UA: Un-audited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** CRISIL Ratings has categorized the rated bank facilities of Anjaneya under the non-cooperation category vide PR dated May 15, 2024, on account of its inability to carry out a rating exercise in the absence of the requisite information from the firm.

**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 instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** 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		-	-	-	45.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	July 2032	11.15	CARE BB-; Stable

**Annexure-2: Rating History of 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	45.00	CARE BB-; Stable	-	1)CARE B+; Stable (19-Jul-23)	-	-
2	Fund-based - LT-Term Loan	LT	11.15	CARE BB-; Stable	-	1)CARE B+; Stable (19-Jul-23)	-	-

LT: Long term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA****Annexure 4: Complexity level of various instruments rated for this company**

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

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. 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](mailto:care@careedge.in) for any clarifications.

**Contact us**

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