

PC Jeweller Limited

March 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Fixed Deposit	300.00	CARE D (FD); ISSUER NOT COOPERATING* [Single D (Fixed Deposit) ISSUER NOT COOPERATING*]	Rating continues to remain under ISSUER NOT COOPERATING category
Total Medium Term Instruments	300.00 (Rs. Three Hundred Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from PC Jeweller Limited (PJL) to monitor the rating(s) vide e-mail communications/letters dated March 10, 2022, March 15, 2022, March 18, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on PJL.'s instruments will now be denoted as **CARE D (FD); ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on January 05, 2021 the following were the rating strengths and weaknesses (updated for the information available from stock exchange)

Key Rating Weaknesses

Stretched liquidity position

Liquidity of the company continues to remain stressed as reflected by overutilization of the fund-based limits for more than 30 days. Average fund based and non -fund based limits of the company have remained almost fully utilized and average of month end utilization for the past 12 months ending May, 2019 stood at 91.13%. Further, significant erosion in its market capitalization since the beginning 2018 had a weakening effect on PCJ's financial flexibility and its liquidity. The market capitalization of the company reduced significantly from Rs.12,606 crore as on March 31, 2018 to Rs.3,256 crore as on March 31, 2019 and further to Rs.1,015.34 crore as on December 31, 2020. The market capitalization as on March 25, 2022 stands at 930.81 core. There is also a decline in cash and bank Balance of the company from Rs.226.91 crore as on March 31, 2020 and further to Rs.171.31 crore as on March 31, 2021. The cash and bank balance of the company is Rs. 145.07 as on September 30, 2021 reflecting moderation in the liquidity position of the company.

Deterioration in scale of operations

The financial risk profile of the company is characterized by de-growth in the scale of operations. PCJ's total revenue has declined from Rs.8,456.20 crore in FY19 to Rs. 2686.59 crore in FY21, on account of Indian economy registering its lowest GDP growth of the last one decade during FY21 and rise in gold prices which led to muted consumer demand and sales even during festive season vis-à-vis the previous year. The company reported a total operating income of Rs.1426.80 crore during 9MFY22 due to subdued demand scenario on account of covid-19.

Working capital intensive nature of business

The operations of PCJ are working capital intensive. Being in the retail business, the company has to maintain high levels of inventory, both in the form of raw gold and also as stock at each of its outlets of various designs to cater the taste and requirement of various customers. Inventories of the company stood at Rs. 5600 crore as on September 30, 2021 as against inventory of Rs. 5793.71 crore as on March 31, 2021. After subsequent negotiation and providing discount to the export debtors, Export receivables of the company reduced from Rs. 1745 crore as on March 31, 2019 to Rs. 1581 crore as on September 30,

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

2019. Further, company has received Rs. 114 crore towards realization of old export receivables in 44 days after Sep 30, 2019. The operating Cycle of the company stood at 931 days for FY21 (PY: 453 days).

Geographical concentration of revenue

PCJ has been a regional player so far, with Delhi-NCR being the major strong-hold of the company through its well-established brand-name among the local customers. The company is Delhi based and the maximum concentration of its stores is in Delhi NCR & rest of Northern States like Rajasthan, UP, Haryana & Bihar. Also, all the sales to its franchisees are from its HO, so almost 92% of the company's sales are from North. Such concentration of operations exposes the company to any adverse developments related to competition, as well as economic, demographic and other changes in that region, which may adversely affect its business prospects and financial conditions and results of operations.

Highly regulated industry

G&J sector has been one of most regulated, given the fact gold alone makes India's second largest import bill only after petroleum. Thereby, to reduce Current Account Deficit (CAD), RBI announces various regulations on domestic consumption of gold. The measures include raising of import duty on gold purchases to 10% (from 4%) and 15% (from 10%) on gold jewellery, introducing 80%-20% import-export rule and prohibiting any credit purchase of gold. Albeit, RBI (towards the end of FY15) relaxed many of the restriction easing the domestic supply of gold on the back of the CAD remaining below 2% (as on Feb 28, 2015) supported by suppressed Brent crude prices. Further, it has allowed direct gold import to authorized dealers and star trading houses on DP (Document on Payment) basis as per entitlement with no end use restriction. However, towards the end of FY16, there were a slew of measures introduced by the government to curb circulation of black money and ensure greater transparency in the system which included:

- Mandatory hallmarking of gold
- PAN on all transactions exceeding Rs.2 lacs and above per transaction

The sector continues to be vulnerable to regulatory risk and any adverse movement of the CAD or consequent measures taken by the government/RBI would pose the risk to the gold demand and viability of the companies in this industry.

Key Rating Strengths

Experienced promoter coupled with long track record of operations

Mr. Balam Garg, promoter and director of PCJ has an experience of more than two decades in the manufacturing and retail sales of hand crafted gold jewellery. Prior to joining PCJ, he had worked for his family owned jewellery firm. PCJ commenced its operations in year 2005 with one showroom located at Karol Bagh (Delhi). Till year 2007 company was mainly engaged in wholesale and retail sales of gold and diamond studded jewellery in domestic market after which company started its export operations with manufacturing unit located at Noida Special Economic Zone (NSEZ). PCJ has setup a strong manufacturing set-up through backward integration comprising of a dedicated in-house designing and manufacturing unit. PCJ's wide range of product offerings caters to diverse customer segments, from the value market to high-end customized jewellery. Its product profile includes traditional, contemporary and combination designs across jewellery lines, usages and price points. During FY19, the company launched 5 sub-brands within its overall jewellery segment to cater a wider range of customers. The sub-brands were namely- Mirosa, Inayat, Azwa, Love Gold, Swarna Dharohar.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Policy on default recognition](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Cut and Polished Diamonds](#)
[Manufacturing Companies](#)
[Retail](#)

About the Company

PCJ is one of the leading players in the G&J segment in India. PCJ, with its headquarters in Delhi, is engaged in the manufacture, retail and export of gold, diamond and studded Jewellery. PCJ commenced its operations in year 2005 with one showroom located at Karol Bagh (Delhi). Till year 2007 company was mainly engaged in wholesale and retail sales of gold and diamond studded Jewellery in domestic market after which company started its export operations with manufacturing unit located at Noida Special Economic Zone (NSEZ). The company exports gold and diamond Jewellery on a wholesale basis to international

distributors in Dubai. Export business of the company is B2B and company exports handmade Jewellery to international distributors in Dubai.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	5,010.18	2,686.59	1426.80
PBILDT	533.20	424.53	113.33
PAT	78.50	60.84	-210.59
Overall gearing (times)	0.61	0.56	-
Interest coverage (times)	1.48	1.11	0.35

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fixed Deposit		-	-	^	300.00	CARE D (FD); ISSUER NOT COOPERATING*

^The tenor of the fixed deposit scheme ranges between 6 to 20 months which is on-going with no fixed maturity date

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Rating history			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	
1	Fixed Deposit	LT	300.00	CARE D (FD); ISSUER NOT COOPERATING*	-	1)CARE D (FD); ISSUER NOT COOPERATING* (05-Jan-21)	1)CARE D (FD) (10-Dec-19) 2)CARE B (FD); Stable (26-Nov-19) 3)CARE BB+ (FD); Negative (22-Aug-19) 4)CARE BB+ (FD) (CWD) (10-Jun-19)	1)CARE BBB (FD); Negative (02-Jan-19) 2)CARE BBB (FD); Negative (24-Jul-18) 3)CARE A (FD); Negative (09-Jul-18) 4)CARE A+ (FD) (CWN) (30-Apr-18)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
							5)CARE BBB (FD) (CWD) (21-May-19)	

* Long Term / Short 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 instrument	Complexity level
1	Fixed Deposit	Simple

Annexure 5: Bank Lender Details for this Company

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 for any clarifications.

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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