

Gajaananda Jewellery Mart India Private Limited
March 31, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long term / Short term Bank Facilities	270 (Enhanced from 180)	CARE BBB+; Negative / CARE A3+ (Triple B Plus ; Outlook: Negative/ A Three Plus)	Reaffirmed
Total Bank Facilities	270 (Rs. Two hundred seventy crore only)		

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Gajaananda Jewellery Mart India Private Limited (GJM), continue to factor in the long-standing experience of the promoter in jewellery retailing business, strong brand image of 'Sree Kumaran Thanga Maaligai' and established operational track record strengthened by continuous addition of new showrooms.

The ratings are however, constrained by the thin profitability margins of the company exposed to volatility in gold prices, leveraged capital structure and highly competitive & fragmented nature of industry.

The outlook is 'Negative' on account of the slowdown in the demand for gold jewellery following the outbreak of the Covid-19 pandemic and resultant decline in footfalls in the company's showrooms. Furthermore, the scaling up of the new showrooms opened by the company also remains to be seen in view of the unprecedented second wave of the pandemic spread. Outlook may be revised to stable if the company's showrooms are able to attract regular customer footfalls and scale up the operations in the medium term.

Rating Sensitivities**Positive Factors**

- Increase in the scale of operations through new showrooms
- Improvement in gearing below 1x on a consistent basis

Negative Factors

- Decline in the operating margins on a consistent basis below 2%.
- Deterioration in capital structure above 3x.

Detailed description of the key rating drivers**Key Rating Strengths****Longstanding experience of the promoters in jewellery business**

Mr P K Aroomugam, the Managing Director of GJM has been actively involved in the retail jewellery business for more than two decades. He has vast experience in the retailing business and manages various facets of the business activities involving strategic planning, purchase & marketing. He is supported by his sons, Mr A Prasanna Anguraj, Mr A Kannapiran and his wife Mrs A Deivanai.

Leverage upon the established and well-known brand of 'Sree Kumaran Thanga Maaligai'

The Chennai Silks group has been engaged in textile retailing business for nearly five decades under the brand 'The Chennai Silks' (TCS) and jewellery retailing business for over two decades under the brand 'Sree Kumaran Thanga Maaligai' (SKTM). Over the years, the group has been able to develop a favorable brand image in both these lines of businesses in South India. GJM benefits from the established brand image of SKTM, leading to a loyal customer base.

Established operational track record & continuous addition of new showrooms

GJM commenced its jewellery retailing business from March 2012, onwards by taking over the existing retail showrooms at Coimbatore & Erode with a good operational track-record. To increase its scale of operations and to diversify its geography, the company has opened its showrooms at Namakkal, Madurai, Salem, Udumalpet, Bhavani Hyderabad, Rajapalayam and Mehdipatnam. The company has also opened new jewellery showrooms at Viruthachallam in May 2019 in a total area of 2500 sq ft.

Key Rating Weaknesses

Financial profile marked by stable financial performance, however leveraged capital structure

GJM's total operating income for FY20 witnessed an increase of 16.93% to Rs. 1830 crore against Rs.1565 crore during FY19 (refers to the period April 1 to March 31). However, the total revenue from showrooms remained muted at Rs. 1285 crore in FY20 against Rs. 1262 crore in FY19. The growth in income has been contributed mainly by the sale of bullion gold to artisans for conversion to ornaments. The increase in the price of gold as well as inventory in the new showroom led to higher utilization of working capital limits keeping the overall gearing leveraged at 2.06x as of March 31, 2020 against 1.82x as of March 31, 2019.

Thin profitability margins exposed to volatility in gold prices

GJM's profit margins are exposed to the volatile gold prices. The company has to maintain sufficient inventory with wide variety of designs to meet the customer's demand which exposes it to the risk of volatile gold prices. However, the company follows a policy of replenishing the day's sale within a day or two with equivalent amount of stock which helps to some extent in mitigating the volatile gold price. Depending on the volatility in gold prices, the company uses hedging to safeguard itself against the price movements on case to case basis. The PBILDT margin moderated from 2.71% in FY19 to 2.33% in FY20 mainly on account of muted sales in the showrooms with higher fixed costs.

Highly competitive & fragmented nature of industry

The Gold & Jewellery industry in India is characterized by the presence of a large number of organized and unorganized players with the share of organized jewellery retail sector at a mere 20%. Despite 'GJM' being an established brand in the South Indian Retail jewellery market, it is exposed to intense competition from some of the other regional players which could lead to pressure on its margins.

Liquidity- Adequate

The liquidity of the company is adequate with required cushion in cash accruals due to nil long- term debt obligations. The sale of jewellery is done on cash and carry basis, providing certain degree of comfort to the cash flow position. However, as on March 31, 2020 the current ratio of the company stood low at 0.85 times (PY: 0.97x) with increase in working capital borrowings. The company has cash and bank balances of Rs.48.42 crore as on Mar 31, 2020 (PY: Rs.5.39 crore). Also, the company has customer advances received as part of the gold savings scheme, which stood at Rs. 52.28 crore in March 31, 2020. GJM has sanctioned working capital cash credit facility of Rs.270 crore and the average utilization of limits for the past twelve months ended February 2021 is at 73%. The utilization of gold metal loan stood at an average of 70% as per banker interaction.

Analytical approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[CARE's Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[Financial ratios –Non-Financial Sector](#)

[Criteria for Short-term Instruments](#)

[Rating Methodology - Organized Retail Companies](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Gajaananda Jewellery Mart India Pvt Ltd (GJM), is a private limited company engaged in the business of jewellery retailing through its eight retail showrooms located at Coimbatore, Erode, Salem, Namakkal, Madurai, Udumalpet, Bhavani & Hyderabad. The jewellery showrooms operate under the reputed and established brand of "Sree Kumaran Thanga Maaligai", which commands high brand recognition and good patronage among the customers in Tamil Nadu.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	1565.93	1830.02
PBILDT	42.37	42.65
PAT	15.01	13.26
Overall gearing (times)	1.82	2.06
Interest coverage (times)	3.03	2.18

A: Audited

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: Detailed explanation of covenants of the rated instrument 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	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit	-	-	-	160.00	CARE BBB+; Negative / CARE A3+
Fund-based - LT/ ST-Cash Credit	-	-	-	110.00	CARE BBB+; Negative / CARE A3+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (22-Mar-19)	1)CARE BBB+; Stable (14-Mar-18) 2)CARE BBB+; Stable (10-Apr-17)

2.	Fund-based - LT/ ST-Cash Credit	LT/ST	160.00	CARE BBB+; Negative / CARE A3+	1)CARE BBB+; Negative / CARE A3+ (11-May-20) 2)CARE BBB+; Stable / CARE A3+ (02-Apr-20)	-	1)CARE BBB+; Stable / CARE A3+ (22-Mar-19)	1)CARE BBB+; Stable / CARE A3+ (14-Mar-18) 2)CARE BBB+; Stable / CARE A3+ (10-Apr-17)
3.	Fund-based - LT/ ST-Cash Credit	LT/ST	110.00	CARE BBB+; Negative / CARE A3+	1)CARE BBB+; Negative / CARE A3+ (11-May-20) 2)CARE BBB+; Stable / CARE A3+ (02-Apr-20)	-	1)CARE BBB+; Stable / CARE A3+ (22-Mar-19)	1)CARE BBB+; Stable / CARE A3+ (14-Mar-18) 2)CARE BBB+; Stable / CARE A3+ (10-Apr-17)

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

Annexure 4: Complexity level of various instruments rated for this company

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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