

APRIL 29, 2015

CARE ASSIGNS 'CARE A+ (FD)' RATING TO THE PROPOSED FIXED DEPOSITS OF PC JEWELLER LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Proposed Medium Term instruments- Fixed deposits	200.00	CARE A+ (FD) [Single A Plus (Fixed Deposits)]	Assigned
Total instrument	200.00		

Rating Rationale

The rating assigned to the medium term instrument of PC Jeweller Ltd (PCJ) favourably factors in the strong financial risk profile of the company marked by constant growth in scale of operations, good profitability margins and relatively comfortable debt service coverage indicators. The rating also takes into account the experience of the promoters with long track record of operations in the G&J industry, healthy net-worth base of the company, established brand name of PCJ, in-house jewellery designing and manufacturing capabilities, strong risk management set-up of the company and wide opportunity of growth for organized retail Gems & Jewellery (G&J) players in the country.

The rating, however, is constrained by the regional concentration of revenue of the company, working capital intensive nature of operations and highly regulated & competitive nature of the G&J industry.

Going forward, the ability of the company to maintain its growth in total income and its healthy profitability amidst constant growth and regional diversification, along with effectively managing its working capital requirements and maintaining its comfortable capital structure will be the key rating sensitivities.

Background

PC Jeweller Ltd (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. Started in April 2005 with a single showroom in Karol Bagh, New Delhi, by first generation entrepreneurs and brothers, Mr. Padam Chand Gupta and Mr. Balram Garg, PCJ now has 50 showrooms across 42 cities and 17 states as on February 28, 2015. PCJ was originally incorporated as "P Chand Jewellers Pvt. Ltd.", which in July 2011, changed its name to "PC Jeweller Ltd." and became a public limited company. During Dec 2012, PCJ came out with an IPO and got itself listed in BSE and NSE. PCJ was originally formed by division of another major north India based G&J player, P.P. Jewellers P Ltd (rated CARE BBB+/CARE A2; started operations in 1993) between two partners Mr. PC Gupta and Mr. Kamal Gupta.

During FY14 (refers to the period April 1 to March 31), PCJ registered a total income of Rs.5371.87 crore with PAT of Rs.356.31 crore as against a total income of Rs.4038.10 crore with PAT of Rs.290.66 crore in F13. During 9MFY15, PCJ achieved a total income of Rs.4328.33 crore with PAT of Rs.258.10 crore.

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691