PC Jeweller Limited

May 21, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Medium Term Instrument-Fixed Deposit Programme	300.00	**CARE BBB (FD) [Triple B (Fixed Deposit); Under credit watch with developing implications]**	**Placed on credit watch with developing implications**
Total Facilities	**300.00 (Rupees Three hundred crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings have been placed on credit watch with developing implications on account of the recent announcement by the company for the scheme of arrangement for demerger of 'Export Division' of the company and subsequent amalgamation of the same with its Wholly Owned Subsidiary Company i.e. PCJ Gems & Jewellery Limited with effect from April 1, 2019. Post demerger, PCJ Gems & Jewellery Limited will no more be the subsidiary of PCJ and will be the separate independent entity with the mirror shareholding as of PCJ. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

The rating for the medium term instruments of PC Jeweller Ltd (PCJ) continues to factor in the experience of the promoters with long track record of operations in the G&J industry, its healthy net-worth base, established brand name of PCJ, in-house Jewellery designing and manufacturing capabilities and comfortable profitability margins. The rating is however constrained by the regional concentration of revenue, working capital intensive nature of operations resulting in high total debt/gross cash accruals and highly regulated & competitive nature of the G&J industry.

The ability of the company to maintain its comfortable capital structure amidst expansion, while geographically diversifying its revenue base, along with effectively managing its working capital requirements remains the key rating sensitivities.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings]
[Criteria for placing rating on credit watch]
[CARE's Policy on Default Recognition]
[Rating Methodology-Manufacturing Companies]
[Financial ratios – Non-Financial Sector]
[CARE's methodology for organized retail companies]

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 distributers in Dubai.

The share of domestic sales and export sales in the revenue from operations on standalone basis is Rs. 6,799 crores (72%) and Rs. 2,690 crores (28%) respectively in FY18 and Rs. 4985 crore (81%) from domestic sales and Rs. 1193 crore (19%) from export sales in 9MFY19. Export business of the company is B2B and company exports handmade Jewellery to international distributors in Dubai. As per the management of the company, the commercial activities of the two verticals are distinct and diverse from each other and in order to ensure sustainable long term growth, profitability and market share, it has been proposed by Board of Directors of the company to demerge the "Export Division" of the PCJ into its wholly owned subsidiary i.e. PCJ Gems & Jewellery Limited with effect from April 01, 2019. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

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

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	8205.86	9,581.35
PBILDT	867.42	1,097.88
PAT	430.45	567.90
Overall gearing (times)*	1.11	1.23
Interest coverage (times)**	3.20	3.67

A: Audited, NM: Not meaningful
**Unsecured loans forming part of promoter contribution has been considered as debt in calculating the ratio*
***Interest on unsecured loans forming part of promoter contribution has been considered in calculating the ratio*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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
Fixed Deposit	-	-	-	300.00	CARE BBB (FD) (Under Credit watch with Developing Implications)

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fixed Deposit	LT	300.00	CARE BBB (FD) (Under Credit watch with Developing Implications)	-	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) (Under Credit watch with Negative Implications) (30-Apr-18)	1)CARE A+ (FD); Stable (10-Aug-17)	1)CARE A+ (FD) (19-Sep-16)
2.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	-	-	-	-	-	1)Withdrawn (19-Sep-16)

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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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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