



## Press Release

**Aurum Jewels Limited (AJL)**

**May 17, 2024**

### **Ratings**

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Fund Based Facilities– Cash Credit	25.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
Proposed Long Term Fund Based Facilities – Cash Credit	75.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>100.00 (Rupees one hundred crore only)</b>			

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The ratings assigned to the bank facilities of Aurum Jewels Limited (AJL) factors in experienced promoters and management team, geographical diversification, improving scale of operations and satisfactory profitability margins, moderate financial risk profile and efficient working capital management. However, these ratings are constrained by intense competition in the market, economic downturns and fluctuations in consumer spending.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis
- Improvement in capital structure and debt protection metrics

#### **Downward Factors**

- Any decline in the scale of operations or weaker operating profitability, resulting in deterioration of debt protection metrics and/or capital structure.
- Elongation in working capital cycle



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced promoters and management:**

AJL was established in 2007 by Mr. S.S. Alam, who possess more than two decades of experience in the jewellery business. Further, he is supported by Mr. Golakh Parida, the chairman and Mrs. Dimple Chaudhury, the promoter director of the company, possesses extensive experience in the industry. Their experience has helped the company having long standing relationship with suppliers and customers. The top 10 same customers cater to ~13% of the total sales in FY23 and FY24 which depicts customer diversification.

##### **Geographical diversification:**

AJL has its manufacturing units strategically positioned across 13 locations throughout India. This includes 10 units for machine-oriented manufacturing and 2 units for handmade manufacturing. This geographical spread not only enhances market reach but also ensures agility in catering to diverse customer needs and preferences across different regions.

##### **Improving scale of operations and satisfactory profitability margins:**

The revenue of AJL has been improved and stood at Rs.460.38 crore in FY23 (FY22: Rs.426.29 crore). Further, the company has indicated that it has achieved the revenue of Rs. 545.00 crore in FY24. EBITDA margin also improved and stood at 2.02% in FY23 (FY22: 1.41%). Moreover, the company is planning to expand its product offering by launching more designs. Infomerics believes, with the increase in the product portfolio and favourable trend in the jewellery market, AJL's revenue and profitability expected to improve in the near future.

##### **Moderate financial risk profile:**

The financial risk profile of the company remained moderate with the moderate networth of Rs.47.84 crore as on March 31, 2023. (March 2022: Rs.33.97 crore). This includes unsecured loan of Rs.17.19 crore as on March 31, 2023 (March 2022: Rs. 6.33 crore). The overall gearing of the company stood at 0.71 times as on March 31, 2023. (March 2022: 0.99 times). Interest coverage ratio marginally improved to 2.87 times in FY23 (FY22: 2.47 times). This was due to increase in EBITDA in absolute terms. TOL/TNW stood at 0.89 times as on March 31, 2023



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(March 2022: 1.42 times). Going forward, the financial risk profile of the company expected to improve due to improvement in the overall business & operational profile.

### **Efficient working capital management:**

The company's working capital management remained efficient with the operating cycle of the company at 44 days as on March 31, 2023 (March 2022: 53 days). The collection days stood at 3 days as on March 31, 2023 (March 2022: 1 day). Average inventory holding period stood at 46 days as on March 31, 2023 (March 2022: 58 days).

### **Key Rating Weaknesses**

#### **Intense competition in the market:**

The market is crowded with numerous designers & manufacturers both from organised & unorganised player. This competition can lead to pricing pressures, as companies strive to offer competitive prices while maintaining quality and profitability. In addition to price competition, manufacturer must differentiate themselves through product innovation, design creativity, marketing strategies, and customer service to stand out in the crowded marketplace. Building a strong identity and loyal customer base is crucial for long-term success in such a competitive environment.

#### **Economic downturn and consumer spending:**

During times of economic uncertainty, such as recessions, consumers tend to cut back on discretionary purchases like jewellery, opting instead to prioritize essential items. This can lead to decreased demand for luxury goods, impacting sales and profitability for jewellery retailers and manufacturers. Additionally, the jewellery industry faces challenges related to changing fashion trends, consumer preferences, and competition from alternative accessories.

#### **Analytical Approach:** Standalone

#### **Applicable criteria:**

[Rating Methodology for Manufacturing Companies](#)



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[Financial Ratios & Interpretations \(Non-Financial Sector\)](#)

[Criteria for Rating Outlook](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Default Recognition Policy](#)

### Liquidity: Adequate

Aurum Jewels Limited has generated gross cash accruals of Rs. 5.20 crores in FY23 as against loan obligations of Rs.0.71 crores for the same period. The company is expected to generate sufficient cash accruals to maturing debt obligation. The average working capital utilization for the past twelve months ended February 2024 for the company is 83%. The current ratio of the company stood at 1.87x as on March 31, 2023 (March 2022: 1.69 times). Cash and cash equivalents of the company stood at Rs.0.10 crore as on March 31, 2023.

### About the company

Tamil Nadu based Aurum Jewels Limited was incorporated in the year 2007. The company is engaged in manufacturing and wholesale trade of chain-based gold jewellery products in a B-to-B model with multiple manufacturing units in different locations across the country. The company developed two lines of manufacture, the first one is the handmade manufacture line, and the second one is the machine-oriented manufacture line.

### Financials:

For the year ended / As On*	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	426.29	460.38
EBITDA	6.02	9.31
PAT	1.67	3.02
Total Debt	33.66	34.09
Tangible Net worth	33.97	47.84
<b>Ratios</b>		
EBITDA Margin (%)	1.41	2.02
PAT Margin (%)	0.52	0.89
Overall Gearing Ratio (x)	0.99	0.71

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil



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### Rating history for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based Facilities– Cash Credit	Long Term	25.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	-	-	-
2.	Proposed Fund Based Facilities – Cash Credit	Long Term	75.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	-	-	-

### Name and Contact Details of the Rating Team:

Name: Amit Bhuwania  
Tel: (022) 62396023  
Email: [abhuwania@infomerics.com](mailto:abhuwania@infomerics.com)

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### Annexure 1: Details of Facilities -

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	25.00	IVR BBB-/ Stable
Proposed Cash Credit	-	-	-	75.00	IVR BBB-/ Stable

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-AurumJewels-may24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).