

A Case Study on Gems & Jewellery

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Riya Choudhary, a girl belongs to reputed business class family. Riya had lots of affection towards gems and jewellery from her growing age, wearing jewelry of latest trend was her style icon. The designs she choose to wear is loved by all of her friends and family members .She just completed her studies and decided to open her own business, on the basis of her own capabilities and interest, suggestions from her friends and family members, she thought to open gems and jewellery shop. Before starting her business, she decided to explore Indian gems and jewellery market and she found some facts.

India is a leading player in the global gems and jewellery market.The gems and jewellery industry occupies an important position in the Indian economy. It is a leading foreign exchange earner, as well as one of the fastest growing industries in the country. The Indian gems and jewellery industry is competitive in the world market due to its low cost of production and the availability of skilled labor. In addition, the industry has set up a worldwide distribution network. Today purchasing jewellery is not restricted for marriage purpose only, but people often purchase it on festivals, parties, other religious and social occasions, and for gift purpose also. By seeing this scenario she decided to open her own gems and jewelers business.

She starts her business by the name of ALANKAR JEWELLERS. She chooses this name alankar because when people listen this name it automatically creates an image of ornaments in the mind of people. The location she selects to open her shop is Bada sarafa in Indore city. As this is most famous location for jewelers in Indore (Address-L.G-2 Gajanand Complex Bada Sarafa Indore).

She decides to sell various types of jewelleries. The major types are diamond jewellery, gold jewellery, gems and stones jewellery, light weight jewellery and artificial jewellery. Further varieties in each types are: Diamond jewellery (neckless, earrings, bangles, and rings), gold jewellery (full set, chains, bangles, and earnings and rings), light weight jewellery (pendant sets, chains, earrings,rings, bangles) artificial jewellery (necklace, pendent set, bangles , bresslets , rings, chains , earrings). She decides her products type by keeping in mind all types of customers (high, medium and low class customers) as she sell diamond jewellery on one hand and artificial jewellery on the other.

To inform the public about her products she will go for advertisements through local channels, news papers, hoardings. She will also arrange exhibition come sale, contact from local media, she will also sponsor various public interest programs and also decides to arrange various social gatherings for word of mouth publicity of their products these activities work as biggest tool to convert from unknown to known in the highly competitive market as her major competitors are Punjab jewelers, Jaipur jewelers, Tanishq, D.P Kataria, local players etc

As customer is the king of the market and attracting the customers is again a difficult task. So for attracting the customers she decided to offer various discount and schemes, she will organize lucky draws, she also provide 15% discount on jewellery that cost above rupees 75000, she also provide jewellery on rental basis for this she will contact with known beauty parlors of the city. By connecting with known beauty parlors will leads to increase word of mouth publicity and customer base of the shop.

Now she do the financial planning of her business which include

Estimated project cost, estimated profit and loss account and estimated balance sheet:

Estimated Project Cost

Alankar Jewelers		
Estimated Project Cost		
Particulars	Amount	
COST OF PROJECT		
OFFICE FURNITURE	2500000.00	
CAMERA	150000.00	
SECURITY ALARM	50000.00	
COMPUTER	600000.00	
CAR	700000.00	
MOBILE	20000.00	
WORKING CAPITAL REQUIREMENTS	35980000.00	
TOTAL FUND REQUIRED	40000000.00	
MEANS OF FINANCE		
PROMOTORS CONTRIBUTION		
CAPITAL	15000000	
UNSECURED LOAN	Nil	
FINANCE FROM BANK		
CASH CREDIT	25000000	
Total	40000000	

Alankar Jewelers
Estimated Profit & Loss Account

Particulars	Amount Rs.	Particulars	Amount Rs.
Purchase		Sales	
1.Diamond Jewellery	10200000.00	1.Diamond Jewellery	5000000.00
2.Gold Jewellery	5000000.00	2.Gold Jewellery	3500000.00
3.Silver Jewellery	20000000.00	3.Silver Jewellery	15000000.00
4.Gems & Stone	6000000.00	4.Gems & Stone	3500000.00
5.Light Weight & Artificial Jewellery	1000000.00	5.Light Weight & Artificial Jewellery	650000.00
	42200000.00		27650000.00
Rent	2000000.00	Closing Stock	
Salary	5500000.00	1.Diamond Jewellery	7000000.00
Electricity	200000.00	2.Gold Jewellery	3000000.00
Telephone	45625.00	3.Silver Jewellery	7000000.00
Guard Expenses	240000.00	4.Gems & Stone	4500000.00
Insurance	50156.00	5.Light Weight & Artificial Jewellery	5000000.00
Advertisement	152012.00		26500000.00
Labor Charges	258761.00		
Convenience	90256.00		
Office Expenses	45125.00		
Sales Tax	274103.00		
Legal Expenses	25000.00		
Tea Refreshment	24788.00		
Interest	545682.00		
Net Profit	2498492.00		
	54150000.00		54150000.00

ALANKAR JEWELERS
Estimated Balance Sheet

LIABILITIES	AMOUNT Rs.	ASSETS	AMOUNT Rs.
Capital		Office Furniture	2500000.00
Opening	0	Camera	150000.00
Adding during the Year	15000000.00	Security Alarm	50000.00
	<u>15000000.00</u>	Computer	600000.00
ADD:-PROFIT DURING THE YEAR	2498492.00		
Less:- Withdrawls	<u>254563.00</u>	Car	700000.00
Closing	17243929.00	Mobile	20000.00
Loan From BOI	25000000.00	Closing Stock	26500000.00
Creditors	1501508.00	Cash in Hand	60000.00
		Bank	256000.00
		Debtors	12909437.00
	43745437.00		43745437.00

After doing all the financial analysis of the business she decide the future outlook of her business, she will open branches in other parts of the city, further she will also contact with various international jewellery brands , after capturing the local market she will open the branches in tier II and tier III cities also for future expansion.

Questions:

1. Analyze the case
2. What differentiation has to bring to make her business more attractive in customer's point of view?
3. Suggest various other ways for promotion and advertisements of her products?
4. What is promoter's contribution in the business?
5. Calculate the following:
 - Gross profit ratio
 - Debt equity ratio
 - Net profit ratio
 - Current ratio from the given data?
6. Suggest some other future strategies adopted by her for expansion of her business?