

Press Release

Prakash Gold Palace Private Limited (PGPPL)

22 February, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 425.00 Cr.
Long Term Rating	SMERA BBB /Outlook: Stable

*Refer annexure for details

SMERA has reaffirmed the long term rating of '**SMERA BBB**' (**read as SMERA triple B**) on the Rs. 425.00 crore bank facilities of Prakash Gold Palace Private Limited (PGPPL). The outlook is '**Stable**'.

The Chennai-based PGPPL was established in 1980, as a proprietorship concern by Mr. Prakash Chand Jain. Later in 1998 the constitution was changed to private limited. Mr. Mukesh Kumar Jain joined as Additional Director. The company is engaged in the manufacturing, wholesale, retail and export of gold, silver and diamond jewellery.

Analytical approach:

For arriving at the rating, SMERA has considered the consolidated financials of PGPPL and that of its wholly owned subsidiary viz. Prakash Gold Palace (FZE). Further, SMERA has consolidated the business and financial risk profiles of PGPPL and Abhilasha Jewellers Private Limited (AJPL) together referred to as the PGP Group. The consolidation is in view of the common ownership and operational linkages within the group.

Key rating drivers

Strengths

Experienced management and established track record of operations

The Promoter and Managing Director, Mr. Prakash Chand Jain has experience of over four decades in the gems and jewellery industry while Mr. Abhilash Mutha has experience of over two decades. The promoters are well supported by an experienced second line of management including Mrs. Mamtha Mutha, Mr. Abhilash Mutha, Mr. Murugan Pillai. The promoters have been able to establish healthy relations with reputed clients such as Kalyan Jewellers, Lalita Jewellers, Avr Swarna Mahal Jewellery Private Limited to name a few.

Moderate financial risk profile marked by healthy net worth

The financial risk profile of the group continues to be moderate marked by tangible net worth of Rs. 160.05 crore as on 31 March, 2017 as against Rs. 141.94 crore as on 31 March, 2016. The gearing stood relatively higher at 2.22 times as on 31 March, 2017 which improved from 2.49 times as on 31 March, 2016. The debt mainly consists of working capital borrowings of Rs. 354.72 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 1.67 times for

FY2017 as against 1.86 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.03 times as on 31 March, 2017 as against 2.74 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.05 times as on 31 March, 2017 as against 0.06 times as on 31 March, 2016. Going forward, SMERA expects the group to maintain its financial risk profile in the absence of major debt funded capex plans.

Moderate working capital cycle

The group has moderate working capital cycle marked by high Gross Current Asset (GCA) of 121 days in FY2017 and 95 days in FY2016. The GCA days are mainly dominated by inventory days of 68 days in FY2017 compared to 42 days in FY2016. The average cash credit utilisation for the past six months stood at ~90 percent. SMERA believes that efficient working capital management will be crucial for the company to maintain a stable credit profile.

Weaknesses

Uneven revenue trend

The group registered revenue of Rs. 1600.60 crore in FY2017 as against Rs. 1837.42 crore in FY2016 and Rs. 1625.82 crore in FY2015. Further, during the period April 2017 to December 2017, the group registered revenue of ~Rs. 1182.00 crore.

Competitive and fragmented industry

The group operates in a highly competitive and fragmented gems and jewellery industry and faces competition from a large number of organised as well as unorganised players. This may affect margins.

Outlook – Stable

SMERA believes that the PGP Group will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, profit margins or deterioration in the financial risk profile and liquidity position.

About the Group

PGPPL, incorporated in 1998 is a manufacturer, wholesaler, retailer and exporter of gold jewellery while AJPL, incorporated in 2003 generates revenue primarily from wholesale of gold jewellery. The wholly owned subsidiary of PGPPL, Prakash Gold Palace (FZE) was incorporated in 2014. The operations of the group are led by the promoter, Mr. Prakash Chand Jain who possesses over three decades of experience in the gold jewellery business.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1,600.60	1,837.42	1,625.82
EBITDA	Rs. Cr.	49.19	50.79	49.39
PAT	Rs. Cr.	15.32	18.80	13.88
EBITDA Margin	(%)	3.07	2.76	3.04
PAT Margin	(%)	0.96	1.02	0.85
ROCE	(%)	10.15	11.38	13.14
Total Debt/Tangible Net Worth	Times	2.22	2.49	2.62
PBDIT/Interest	Times	1.67	1.86	1.61
Total Debt/PBDIT	Times	6.76	6.50	6.00
Gross Current Assets (Days)	Days	121	95	94

Status of non-cooperation with previous CRA (if applicable):

PGPPL has not cooperated with CRISIL which has classified it as issuer not cooperative vide release dated November 06, 2017. The reason provided by CRISIL is non-furnishing of information for monitoring of ratings.

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
21-Oct, 2016	Cash Credit	Long Term	175.00	SMERA BBB / Stable (Downgraded from SMERA BBB+/Stable)
	Export Packing Credit (EPC)*	Long Term	75.00	SMERA BBB / Stable (Downgraded from SMERA BBB+/Stable)
	Working Capital Demand Loan (WCDL)*	Long Term	25.00	SMERA BBB / Stable (Downgraded from SMERA BBB+/Stable)

	Proposed Cash Credit	Long Term	150.00	SMERA BBB / Stable (Assigned)
16-Jul, 2015	Cash Credit	Long Term	175.00	SMERA BBB+ / Stable (Assigned)
	Export Packing Credit (EPC)*	Long Term	75.00	SMERA BBB+ / Stable (Assigned)
	Working Capital Demand Loan (WCDL)*	Long Term	25.00	SMERA BBB+ / Stable (Assigned)

*EPC and WCDL are 100% interchangeable with cash credit

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	262.5	SMERA BBB/ Stable
Export Packing Credit*	Not Applicable	Not Applicable	Not Applicable	75.00	SMERA BBB/ Stable
Working Capital Demand Loan*	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BBB/ Stable
Cash Credit (Proposed)	Not Applicable	Not Applicable	Not Applicable	62.50	SMERA BBB/ Stable

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ABOUT SMERA

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