

Press Release

Prakash Gold Palace Private Limited

November 03, 2021



Rating Upgraded & Reaffirmed

Total Bank Facilities Rated*	Rs.214.92 Cr
Long Term Rating	ACUITE D (Reaffirmed)
Total Bank Facilities Rated*	Rs.63.98 Cr
Long Term Rating	ACUITE C (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE D**' (**read as ACUITE D**) to the Rs.214.92 Cr bank facilities and upgraded the long term rating to '**ACUITE C**' (**read as ACUITE C**) from '**ACUITE D**' (**read as ACUITE D**) to the Rs.63.98 Cr bank facilities of Prakash Gold Palace Private Limited (PGPPL).

The company has cooperated by providing all information required for the rating process. Also, it is regular in its repayment obligations with Axis Bank, IndusInd Bank and Yes Bank.

About the company

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

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of PGPPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter director, Mr. Prakash Chand Jain has experience of over four decades in the gems and jewellery industry. The promoter is well supported by the second generation director, Mr. Mukesh Kumar Jain and a professional team. The management has established healthy relationships with reputed clients such as Kalyan Jewellers, Lalita Jewellers, Avr Swarna Mahal Jewellery Private Limited to name a few. Acuité believes the extensive experience of the top management will support the business, going forward.

Weaknesses

- **Declining scale of operations**

The top line of the company has witnessed a steady decline. The revenue decreased by around 35 per cent in FY21 and by 30 per cent in FY20. On account of outbreak of Covid – 19 pandemic, there was a slowdown in the discretionary spending of the consumers and hence the revenues were impacted. Also, mandatory hallmarking in gold jewellery and artefacts as per guidelines by GOI from Jan, 2021 affected sales of the company. These led to continuous decrease in top line however, the regulations on hallmarking has been relaxed by the GOI and with revival of the economy and with onset of festival season, the company expects to boost sales in FY22, as evident from the provisional revenue of Rs.170.53 Cr till Aug'21.

- **Working capital intensive nature of operations**

PGPPL operates in a working capital intensive nature of operations marked by Gross Current Asset (GCA) days of 284 days for FY2021 as against 175 days in FY2020. This is majorly on account of high inventory days of 178 for FY2021 as against 89 days in the previous year. The inventory period increased as the company could not make enough sales in March'21 due to steep rise in the number of Covid-19 cases. Further, the working capital

cycle elongated on account of stretched realizations from customers due to Covid-19 pandemic.

- **Exposure to intense competition in a fragmented industry**

The gold jewellery industry is highly fragmented and the presence of a large number of small and big players. Presence of a large number of small and big players in the jewellery market constrains the company's profitability. Players have to continuously offer new designs and adopt innovative marketing practices to attract and retain customers.

Rating Sensitivity

- Regularisation in the debt repayment obligations of the company
- Growth in their scale of operations while improving its profitability margins
- Elongation in the working capital cycle
- Improvement in the capital structure of the company

Material Covenants

None

Liquidity Position: Stretched

The company's liquidity position is stretched marked by delays in debt servicing in its fund based bank limits in June'21 and August'21 (confirmed by lenders). The company has very low net cash accruals of Rs.0.67 Cr in FY2021 as against no long term debt repayment over the same period. The fund based limit remained utilised at about 98 percent over the six months ended August, 2021. The company avail a Covid loan of Rs.47.35 Cr. However, the current ratio stood comfortable at 1.57 times as on 31st March, 2021 as compared to 1.48 times as on 31st March, 2020.

Outlook

Not Applicable

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	501.45	764.02
PAT	Rs. Cr.	0.30	4.02
PAT Margin (%)	(%)	0.06	0.53
Total Debt/Tangible Net Worth	Times	1.62	1.71
PBDIT/Interest	Times	1.03	1.27

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
12-Aug-21	Cash Credit	Long term	185.00	ACUITE D (Downgraded; Issuer not co-operating*)
	Export Packing Credit	Long term	40.00	ACUITE D (Downgraded; Issuer not co-operating*)
	Working Capital Demand Loan	Long term	25.00	ACUITE D (Downgraded; Issuer not co-operating*)

02-Jun-20	Cash Credit	Long term	185.00	ACUITE BB/ Stable (Reaffirmed)
	Export Packing Credit	Long term	40.00	ACUITE BB/ Stable (Reaffirmed)
	Working Capital Demand Loan	Long term	25.00	ACUITE BB/ Stable (Reaffirmed)
	Proposed fund based facility	Long term	162.50	ACUITE BB (Withdrawn)
07-May-20	Cash Credit	Long term	262.50	ACUITE BB/ Stable (Downgraded)
	Export Packing Credit	Long term	75.00	ACUITE BB/ Stable (Downgraded)
	Working Capital Demand Loan	Long term	25.00	ACUITE BB/ Stable (Downgraded)
	Proposed fund based facility	Long term	62.50	ACUITE BB/ Stable (Downgraded)
28-Mar-19	Cash Credit	Long term	262.50	ACUITE BB+/ Negative (Downgraded)
	Export Packing Credit	Long term	75.00	ACUITE BB+/ Negative (Downgraded)
	Working Capital Demand Loan	Long term	25.00	ACUITE BB+/ Negative (Downgraded)
	Proposed fund based facility	Long term	62.50	ACUITE BB+/ Negative (Downgraded)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India (lead bank)	Cash Credit	Not Applicable	Not Applicable	Not Applicable	106.45	ACUITE D (Reaffirmed)
HDFC Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	72.00	ACUITE D (Reaffirmed)
Axis Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE C (Upgraded)
Yes Bank Ltd	PCFC	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE C (Upgraded)
IndusInd Bank	PCFC	Not Applicable	Not Applicable	Not Applicable	10.10	ACUITE C (Upgraded)
State Bank of India (lead bank)	GECL-WCDL	Not Applicable	Not Applicable	Not Applicable	22.90	ACUITE D (Reaffirmed)
HDFC Bank	ECLGS-WCDL	Not Applicable	Not Applicable	Not Applicable	13.57	ACUITE D (Reaffirmed)
Axis Bank	GECL-WCDL	Not Applicable	Not Applicable	Not Applicable	4.91	ACUITE C (Upgraded)
Yes Bank Ltd	ECLGS-WCDL	Not Applicable	Not Applicable	Not Applicable	3.95	ACUITE C (Upgraded)
IndusInd Bank	GECL-WCDL	Not Applicable	Not Applicable	Not Applicable	2.02	ACUITE C (Upgraded)

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