



Press Release

Prakash Gold Palace Private Limited

January 30, 2023

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	63.98	ACUITE C Reaffirmed	-
Bank Loan Ratings	214.92	ACUITE D Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	278.90	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for the rating

The rating is reaffirmed due to delays in servicing of debt obligations by PGPPL as confirmed by its respective bankers. The rating continues to draw comfort from the experienced management and established track record of operations. The rating is, albeit, constrained by its below average financial risk profile, working capital intensive operations and exposure to intense competition in a fragmented industry.

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

Acuite 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

- **Below-average financial risk profile**

The financial risk profile of the company has remained moderate with capital structure and moderate gearing and weak debt protection metrics. The net worth of the company stood at Rs.140.39 Cr and Rs.154.38 Cr as on March 31, 2022 and 2021 respectively. The gearing of the company stood at 1.76 times as on March 31, 2022 against 1.62 times as on March 31, 2021. The deterioration in gearing ratio is on account of increase in long term debt portion. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 1.02 times and 0.95 times as on March 31, 2022 respectively as against 1.03 times and 1.02 times as on March 31, 2021 respectively. The debt to EBITDA of the company stood at 7.84 times as on March 31, 2022 as against 8.49 times as on March 31, 2021.

- **Working capital intensive nature of operations**

PGPPL's working capital cycle is working capital intensive as reflected by its high gross current asset (GCA) days at 325 days as on March 31, 2022 as against 284 days as on March 31, 2021. The GCA days are driven by high inventory days. Inventory days stood at 232 days as on March 31, 2022 as against 178 days as on March 31, 2021. Subsequently, the payable period stood at 44 days as on March 31, 2022 as against 11 days as on March 31, 2021 respectively. The debtor day stood at 100 days as on March 31, 2022 as against 107 days as on March 31, 2021. Further, the average bank limit utilization in the last six months ended December, 22 remained almost full for its fund based facilities.

- **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 Sensitivities

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

Material covenants

None

Liquidity Position: Poor

The company's liquidity position is poor marked by delays in debt servicing of its fund based bank limits from October to December'22. And insufficient net cash accruals against repayment obligations. The Company generate net cash accruals of Rs 0.61 Cr in FY2022 against its long term debt obligations of Rs. 2.12 Cr. The working capital cycle of PGPPL stood high on account of high GCA (Gross Current Asset) days of 325 in FY2022. Unencumbered cash and bank balances stood at 5.09 Cr as on March 31, 2022. The current ratio of the company stood at 1.47 times as on March 31, 2022. The average fund based bank limit

utilization of PGPL was almost full for the past six months ending December, 22.

Outlook: Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	458.15	501.45
PAT	Rs. Cr.	0.29	0.30
PAT Margin	(%)	0.06	0.06
Total Debt/Tangible Net Worth	Times	1.76	1.62
PBDIT/Interest	Times	1.02	1.03

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Nov 2021	Working Capital Demand Loan	Long Term	13.57	ACUITE D (Reaffirmed)
	Working Capital Demand Loan	Long Term	4.91	ACUITE C (Upgraded from ACUITE D)
	Cash Credit	Long Term	25.00	ACUITE C (Upgraded from ACUITE D)
	Working Capital Demand Loan	Long Term	22.90	ACUITE D (Reaffirmed)
	Cash Credit	Long Term	106.45	ACUITE D (Reaffirmed)
	Working Capital Demand Loan	Long Term	2.02	ACUITE C (Upgraded from ACUITE D)
	Working Capital Demand Loan	Long Term	3.95	ACUITE C (Upgraded from ACUITE D)
	Packing Credit	Long Term	18.00	ACUITE C (Upgraded from ACUITE D)

	Cash Credit	Long Term	72.00	ACUITE D (Reaffirmed)
	Packing Credit	Long Term	10.10	ACUITE C (Upgraded from ACUITE D)
12 Aug 2021	Cash Credit	Long Term	185.00	ACUITE D (Downgraded and Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	25.00	ACUITE D (Downgraded and Issuer not co-operating*)
	Packing Credit	Long Term	40.00	ACUITE D (Downgraded and Issuer not co-operating*)
02 Jun 2020	Proposed Bank Facility	Long Term	162.50	ACUITE BB (Withdrawn)
	Working Capital Demand Loan	Long Term	25.00	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	185.00	ACUITE BB Stable (Reaffirmed)
	Packing Credit	Long Term	40.00	ACUITE BB Stable (Reaffirmed)
07 May 2020	Proposed Bank Facility	Long Term	162.50	ACUITE BB Stable (Downgraded from ACUITE BB+ Negative)
	Working Capital Demand Loan	Long Term	25.00	ACUITE BB Stable (Downgraded from ACUITE BB+ Negative)
	Cash Credit	Long Term	197.50	ACUITE BB Stable (Downgraded from ACUITE BB+ Negative)
	Packing Credit	Long Term	40.00	ACUITE BB Stable (Downgraded from ACUITE BB+ Negative)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	72.00	ACUITE D Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE C Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	106.45	ACUITE D Reaffirmed
Yes Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE C Reaffirmed
Indusind Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	10.10	ACUITE C Reaffirmed
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	22.90	ACUITE D Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	13.57	ACUITE D Reaffirmed
Axis Bank	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	4.91	ACUITE C Reaffirmed
Yes Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	3.95	ACUITE C Reaffirmed
Indusind Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	2.02	ACUITE C Reaffirmed

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About Acuité Ratings & Research

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