

Press Release

PUNNIAMOORTHI PILLAI DEPARTMENT STORE

December 29, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 15.00 crore bank facilities of PUNNIAMOORTHI PILLAI DEPARTMENT STORE. The outlook is '**Stable**'.

Punniamoorthi Pillai Department Store (PPDS) a partnership firm, was established in 1988 by Mr. S. Kubher and brothers, Mr. S. Gunaseelan, Mr. T. S. Ravikumar and Mr. C. Sivakumar. The firm, a departmental store is engaged in the retailing of groceries, consumer durable goods (refrigerator, grinders, mixer, air conditioner etc.), Fast Moving Consumer Goods (FMCG) among others. It is also a franchisee for Titan Watches and Tanishq Jewellery and runs a café and a bakery under the name Tan Café. PDDS has a chain of eight department stores at prominent locations in Thanjavur and nearby areas. Plans are on to open new franchisee stores for Tanishq Jewellery in Kumbakonam in FY2018-19. The firm derived around 56 percent revenue from the sale of consumer durable goods in FY2016-17 and the rest from other products. The firm also set up an online shopping portal in FY2016-17.

Key Rating Drivers

Strengths

• Established market presence and experienced promoters

PDDS was started off as a traditional grocery store by Mr. R. Punniamoorthi Pillai in 1910 and subsequently, in 1988 taken over by his sons. Over a period of time, the firm diversified into consumer durable goods and other products. The day-to-day operations are led by Mr. S. Gunaseelan and Mr. C. Sivakumar who collectively possess more than five decades of experience in the retail business. The firm reported operating income of Rs. 90.38 crore for FY2017 as against Rs. 84.31 crore in the previous year. Further, the firm reported operating income of Rs. 54.50 crore (Provisional) during April, 2017 to October, 2017. Going forward, SMERA expects the firm to benefit from its established presence in Thanjavur and established relations with leading suppliers Tanishq, Titan Watches and home appliance brands such as LG and Samsung.

• Comfortable financial risk profile and liquidity position

The financial risk profile is comfortable marked by tangible networth of Rs.19.06 crore as on 31 March, 2017 as against Rs.17.42 crore in the previous year. The gearing stood at 0.63 times as on 31 March, 2017 as against 0.59 times in the previous year. The total debt of Rs.12.10 crore as on 31 March, 2017 includes long term debt of Rs.1.54 crore and short term debt of Rs.10.57 crore. The firm follows an asset light model wherein majority of the stores are on lease resulting in limited amount of long term debt. The short term debt is mainly used for working capital purpose. The coverage indicators are comfortable with interest coverage ratio (ICR) at 2.69 times for FY2017. The Total outside Liabilities to Tangible Networth (TOL/TNW) stood at 0.69 times as on 31 March, 2017 as against 0.64 times in the previous year. The net cash accruals to Total Debt (NC/TD) stood at 0.18 times as on 31 March, 2017 as against 0.22 times in the previous year. The firm operates at a comfortable liquidity position with average cash credit limit utilisation at ~81 percent for the last six months ended 31 October, 2017. Going forward, SMERA believes that the firm will maintain a comfortable financial risk profile in the absence of major debt funded

expansion plans and moderate working capital requirements.

Weaknesses

• Geographic concentration risk and intense competition

The firm is exposed to significant geographic concentration risk as all stores are located in Thanjavur and nearby areas. The scaling up of operations will depend on the level of economic activity and spending patterns of customers in and around Thanjavur. Additionally, it also depends on the level of industrial and agricultural activity in and around Thanjavur. Apart from competition from local grocers and standalone electronics stores, the firm will also face competition from larger players planning to enter the consumer durables market in Thanjavur.

• Partnership constitution

The firm is exposed to capital withdrawal risk due to its partnership constitution.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on PPDS's rated facilities will remain stable over the medium term mainly on account of the extensive experience of its promoters and established presence in the Thanjavur retail industry. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while effectively maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity or financial risk profile on account of large working capital requirements, low cash accruals, or significant debt-funded capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	90.38	84.31	76.34
EBITDA	Rs. Cr.	3.39	3.36	3.55
PAT	Rs. Cr.	1.26	1.28	1.97
EBITDA Margin	(%)	3.75	3.98	4.66
PAT Margin	(%)	1.40	1.51	2.58
ROCE	(%)	8.59	9.91	25.89
Total Debt/Tangible Net Worth	Times	0.63	0.59	0.79
PBDIT/Interest	Times	2.69	2.93	4.55
Total Debt/PBDIT	Times	3.57	3.05	2.65
Gross Current Assets (Days)	Days	77	66	58

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.39	SMERA BBB- / Stable
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.85	SMERA A3
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.76	SMERA BBB- / Stable

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ABOUT SMERA

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