

Press Release

R R Gold Palace Private Limited

July 04, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 62.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) on the Rs.62.00 crore bank facilities of R R Gold Palace Private Limited. The outlook is '**Stable**'.

R R Gold Palace Private Limited (RRG) was incorporated in 2011 by Mr. R.Ramesh and Ms. G.S Prabhalatha. RRG is engaged in retailing of gold, silver, diamond and platinum jewellery in Bangalore (Karnataka). The operations of the company commenced in 2006 as a partnership concern. The promoters ventured into retailing of gold jewellery by setting up a showroom 'RR Gold Palace' in Malleswaram (Bangalore), under partnership model and later converted to company. RR Gold Palace expanded its Malleswaram showroom to a separate section for a wide range of silver articles, jewellery and even corporate gifts. RRG opened its 2nd showroom at Jayanagar in April, 2012 with collection of gold, diamond, platinum, ruby jewellery and silver articles.

Key Rating Drivers

Strengths

• Experienced management

The company is promoted by Mr. R.Ramesh and Ms. G.S Prabhalatha, both having over a decade of experience in the gold retailing industry. On account of their long standing presence in the market and strong back ground, the company enjoys robust relationship with its customers and suppliers. The company has established itself in the local jewellery markets.

• Moderate working capital intensity

The GCA is high at 127 days as on March 31, 2017 from 126 days as on March 31, 2016 mainly on account of high inventory at 125 days as on March 31, 2017 compared to 122 days as on March 31, 2016. The company is exposed to volatility in gold prices with high inventory being held at its disposal which could further impact the profitability in the future. ACUITE believes that the working capital intensity will remain on the similar line in the medium term.

Weaknesses

• Average financial risk profile

The company reported tangible networth of Rs.23.58 crore as on March 31, 2017 as compared to Rs. 22.39 crore as on March 31, 2016. Total debt stands at Rs.78.49 cr as on March 31, 2017 compared to Rs.73.96 crore as on March 31, 2016. The long term debt of Rs. 0.93cr is from directors. The gearing stood at 3.33 times as on March 31, 2017 compared to 3.30 ending FY16. ICR stood at 1.25 times and DSCR is at 1.14 times as on March 31, 2017.

• Intense Competition in the retail segment

The company is engaged in the retailing of jewellery with intense competition from bigger players. Due to the high competitive intensity, the pricing flexibility of the company is limited, further capping margins of the company. The revenue of the company declined from Rs. 308.05cr in FY17 to Rs. 190.99 cr in FY19 (prov.). The ability of the company to maintain the margins while recording growth would remain a key sensitivity.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RRG to arrive at the rating.

Outlook: Stable

Acuite believes that the outlook on RRG's rated facilities will remain 'Stable' over the medium term on account of the company's experienced management in the gold retailing industry. The outlook may be revised to 'Positive' in case of more than expected growth while maintaining the margins. Conversely, the outlook may be revised to 'Negative' in case of adverse business scenario impacting the revenues or profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	308.05	351.34	373.52
EBITDA	Rs. Cr.	11.75	12.60	14.00
PAT	Rs. Cr.	1.20	0.82	2.56
EBITDA Margin	(%)	3.82	3.59	3.75
PAT Margin	(%)	0.39	0.23	0.68
ROCE	(%)	11.24	12.16	28.11
Total Debt/Tangible Net Worth	Times	3.33	3.30	3.47
PBDIT/Interest	Times	1.24	1.28	1.48
Total Debt/PBDIT	Times	6.58	5.83	5.30
Gross Current Assets (Days)	Days	127	126	100

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

ICRA, vide its press release dated Sep 26, 2017 had denoted the rating of RRG as '[ICRA]BB- (Stable) ISSUER NOT COOPERATING on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at [ICRA] BB- (Stable)' vide its press release dated Mar 30, 2016.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition-<https://www.acuite.in/criteria-default.htm>
- Trading Entities-<https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments-<https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	50.00	ACUITE BB-/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB-/ Stable

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About Acuité Ratings & Research:

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