



Press Release

P N Gadgil Jewellers Private Limited

October 05, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 366.50 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable
Short Term Rating	ACUITE A2+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of **'ACUITE A-' (read as ACUITE A minus)** and short term rating of **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs.366.50 crore bank facilities of P N Gadgil Jewellers Private Limited (PNG). The outlook is **'Stable'**.

Maharashtra based P N Gadgil Jewellers Private Limited (PNG) is one of the oldest retailer of gold, silver, and diamond jewellery in Pune. The company was set up in 1832, later it was reconstituted in 2013 to private limited. The company is promoted by Mr. Saurabh Gadgil and Mr. Parag Gadgil among others. The company is engaged in manufacturing and retailing of Gold Jewellery, diamonds, and silverwares. PNG has 23 retail stores in Maharashtra, Madhya Pradesh and Goa.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the PNG to arrive at this rating.

Key Rating Drivers

Strengths

• Established market position with a strong brand

Pune based P N Gadgil Jewellers Private Limited is one of the biggest retail player in Maharashtra region. The brand (PNG) has been established since 1832 and is currently promoted by Mr. Saurabh Gadgil who possesses industry experience of over two decades, Mr. Parag Gadgil with an industry experience of over four decades and Mr. Vidyadhar Anant Gadgil with an industry experience of over five decades. PNG has 23 retail outlets across 3 states, primarily in Maharashtra. The company enjoys a strong market position backed by its long track record of over 100 years the business and wide customer base associated with it for generations. Acuite believes that PNG will continue to benefit from its established market position over the medium term backed by its increasing network of stores.

• Strong demand recovery to boost performance in near to medium term

PNG's revenues and profits has remained flattish from FY2016 to FY2018 majorly on account of subdued demand, limited footfall conversion from its jewellery schemes and aggressive competitive pricing in the industry. However, the revenues and margins are expected to rebound in FY2019 supported by uptick in rural demand, higher number of auspicious days, lower gold prices and opportunistic buying ahead of the GST rollout. PNG has registered revenue of Rs.2306.71 crore in FY2018 as against Rs.2219.53 crore. Taking into consideration that the festive season in India falls in second half of the year and PNG's strong brand established presence in the Maharashtra, Acuite believes that the company will continue to benefit from the favorable demand scenario over the medium term leading to higher revenue growth well supported by the increase in the number of

stores.

- **Improvement in Financial Risk Profile**

The financial risk profile of PNG has improved in FY2018 as against previous year back by improvement in tangible net worth, debt protection measure and gearing. The tangible net worth of PNG stood at Rs.191.15 crore as against Rs.165.49 crore in the previous. Gearing (debt-equity) has improved to 1.81 times as on 31 March 2018 as against 2.15 times as on 31 March 2017. The total debt of Rs.345.92 crore as on 31 March 2018 comprises of term loan of Rs.38.92 crore, unsecured loan of Rs.0.02 crore, gold metal loan of Rs.60.38 crore and Rs.209.94 crore of working capital facility from bank. There has been improvement in Interest coverage ratio which stood at 2.21 times for FY2018 as against 1.81 in the previous year. Total outside liabilities to tangible net worth stood at 3.15 times as on 31 March 2018 as against 3.63 times as on 31 March 2017. Debt-EBIDTA stood at 3.50 times for FY2018 as against 3.81 times in the previous year. Acuite believes the financial risk profile of PNG to improve backed by healthy net cash accruals and in absence of any major debt funded capital expenditure.

Weaknesses

- **Revenue Concentration**

The company faces high store and geographic concentration risk. The group's total revenue is generated majorly from top 4 stores contributing to ~56 per cent of total revenue. The top 4 stores which contribute ~56 per cent are located in Pune, Maharashtra. The high store concentration renders the revenue growth and profitability susceptible to the growth plans.

- **Susceptibility to regulatory framework, and Intense Competition in Jewellery industry**

Government's regulations aimed towards increasing transparency in the gold jewellery industry through mandatory PAN disclosures for transactions above Rs. 2 lakh and compulsory hallmarking impacting the gold jewellery demand could hinder near - term growth prospects of the company. Despite its long-standing presence in the business, PNG faces challenges of intensifying competition from national players, such as Titan Company Limited, Tribhovandas Bhimji Zaveri Limited, Kalyan Jewellers India Limited and other regional players as well as pan India players. Further, the fragmented nature of the industry has resulted in strong competitive pressures thereby squeezing players' margins

Outlook: Stable

Acuite believes that PNG will continue to benefit from established regional position and extensive industry experience of promoters. The 'Outlook' may be revised to 'Positive' in case of substantial and sustained improvement in its operating profitability and working capital management. The 'Outlook' may be revised to 'Negative' in case of significant decline in the company's operating profit margin or in case of deterioration in the company's capital structure on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	2,306.71	2,219.53	2,155.11
EBITDA	Rs. Cr.	93.53	89.30	59.23
PAT	Rs. Cr.	21.82	10.88	4.82
EBITDA Margin	(%)	4.05	4.02	2.75
PAT Margin	(%)	0.95	0.49	0.22
ROCE	(%)	14.87	14.76	19.54
Total Debt/Tangible Net Worth	Times	1.81	2.15	2.77
PBDIT/Interest	Times	2.21	1.81	1.61
Total Debt/PBDIT	Times	3.50	3.81	5.73
Gross Current Assets (Days)	Days	90	92	90

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-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Crore)	Ratings/Outlook
WCDL	Not Applicable	Not Applicable	Not Applicable	90.00	ACUITE A-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE A-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE A-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A-/Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A-/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A2+

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2+
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+

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About Acuite Ratings & Research:

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