

Press Release

P N Gadgil Jewellers Private Limited

August 08, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	335.50	ACUITE A- Negative Reaffirmed Stable to Negative	-
Bank Loan Ratings	45.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	380.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 380.50 crore bank facilities of P N Gadgil Jewellers Private Limited (PNGJ). The outlook is revised to '**Negative**' from '**Stable**'.

Reasons for Change in Outlook

The rating is reaffirmed taking into account the improvement in operating and financial performance of PNGJ, however, the increased exposure towards group companies, brings a negative bias to the rating. The Company's operating income rose to Rs.2467.17 Cr in FY2022 against Rs.1819.50 Cr in FY2021 and Rs.2360.83 Cr in FY2020. The overall gearing remained stable at 0.89 times as on March 31, 2022 and March 31, 2021 as against 1.12 times as on March 31, 2020. However, PNGJ's exposure towards its group companies rose to Rs.168.62 Cr as on March 31, 2022 from Rs.146.69 Cr as on March 31, 2020. The Company has extended loans and advances, invested in share capital and also has certain amount of trade receivable due for more than six months from these group companies. After adjusting for the exposure towards the group companies, the adjusted gearing stood at 1.78 times as on March 31, 2022 as against 2.31 times as on March 31, 2020.

About the Company

P N Gadgil Jewellers Private Limited (PNG) is based of Pune, Maharashtra. The company is one of the oldest retailer of gold, silver, and diamond jewellery. 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 22 own retail stores and 12 franchisee stores in Maharashtra, Madhya Pradesh and Goa.

Analytical Approach

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

Key Rating Drivers

Strengths

> Experienced management and establish track record of operation

PNGJ, has established track record of over ten decades of operations and is one of the biggest retail player in Maharashtra region. The brand (PNG) is well recognized and the operations are 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. PNGJ, has 22 retail outlets and 12 franchisee stores 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.

Further, the company has achieved operating income of Rs.2467.17 Cr in FY2022 as against Rs.1819.50 Cr in FY2021 and Rs. 2360.83 Cr in FY2020. The revenue generation in FY2021 was subdued primarily due to impact of Covid-19 induced lockdowns and restrictions. However, the operations showcased robust recovery in FY2022 supported by higher realizations and increase in prices of gold over the years. The operating margin of PNGJ ranged between 4-5 percent in the last three years ended FY2022 and the net profitability margins improved to 1.62 percent in FY2022 as against 0.41 percent in FY2021 and 1.28 percent in FY2020. The improvement in net margins are mainly supported by lower interest outgo and increase in other income.

Acuité believes that PNGJ will continue to benefit from its established market position over the medium term backed by its increasing network of stores.

> Moderate Financial risk profile

The financial risk profile continues to remain moderate marked by moderate net worth, moderate gearing and debt protection measures. The tangible net worth stood at Rs. 338.19 Cr as on March 31, 2022 as against Rs. 294.23 Cr as on March 31, 2021 and Rs.282.86 Cr as on March 31, 2020. The improvement in net worth is attributable to accretion of profits to reserves. The gearing stood moderate at 0.89 times as on March 31, 2022 as well as on March 31, 2021 as against 1.12 times as on March 31, 2020. The total borrowings stood at 301.95 Cr as on March 31, 2022 comprising of short term borrowings of Rs 200.40 Cr and term loan of Rs. 101.55 Cr. TOL/TNW of PNGJ stood at 2.28 times as on March 31, 2022 as against 2.47 times as on March 31, 2021 and 3.00 times as on March 31, 2020. The debt protection metrics continues to remain moderate, marked by interest coverage ratio (ICR) of 3.39 times in FY2022 as against 2.31 times in FY2021 and 3.18 times in FY2020. The NCA to Total Debt stood at 0.20 times for FY2022 as against 0.13 times for FY2021 and 0.18 times for FY2020.

Further, company's operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 124 days in FY2022 as compared to 153 days in FY2021 and 130 days in FY2020. The GCA days are mainly dominated by high inventory holding period which stood at 103 days in FY2022 as against 128 days in FY2021 and 114 days in FY2020. Receivables period stood low during last three years ending FY2022, as the Company is engaged in retail sales only. The creditor days stood at 25 days in FY2022 as against 18 days in FY2021 and 17 days in FY2020. The company's average bank limit utilisation is high at ~93 percent for twelve months ended June, 2022.

Acuité believes that the financial risk profile of the company will continue to remain moderate over the medium to long term due to regular accretion to reserves and no major debt funded capital expenditures.

Weaknesses

> Revenue concentration risk and significant and increasing exposure to group companies

The company faces high store and geographic concentration risk. The company's total revenue is generated majorly from top 3 stores contributing to ~52 per cent of total revenue, all the top three stores are located in Pune, Maharashtra. The high store concentration

renders the revenue growth and profitability susceptible to the growth plans.

Further, PNGJ's exposure towards its group companies rose to Rs.168.62 Cr as on March 31, 2022 from Rs.146.69 Cr as on March 31, 2020. The Company has extended loans and advances, invested in share capital and also has certain amount of trade receivable due for more than six months from these group companies. After adjusting for the exposure towards the group companies in tangible networth, the adjusted gearing and TOL/TNW of PNGJ stood at 1.78 times and 4.54 times respectively as on March 31, 2022 as against 2.31 times and 6.24 times as on March 31, 2020.

Acuite believes regional concentration of PNGJ store and increase in exposure of PNGJ towards the group entities will remain a key rating monitorable.

> **Intense competition from other branded players in industry and susceptibility to regulatory framework**

PNGJ remains exposed to the vulnerability of gold jewellery demand to gold price fluctuations. Further, increased regulatory intervention in jewellery industry in the recent years has impacted the demand and supply scenario in the industry. In the long term, regulatory measures such as hallmarking, the requirement of permanent account number, mandatory disclosure for purchases above threshold limits, restrictions on jewellery saving schemes, increase in import duty, and introduction of the sovereign gold bond schemes to shift consumer preference away from physical gold. The industry continues to remain exposed to regulatory interventions and gold price volatility, which would continue to impact the demand-supply scenario. Moreover, gold jewellery retailing is a highly-fragmented segment, with the presence of large organised players and numerous unorganised ones.

Rating Sensitivities

- > Further increase in group exposure leading to deterioration in the financial risk profile
- > Improvement in margins, net cash accruals and liquidity profile
- > Elongation in working capital leading to higher-than-expected reliance on external borrowings

Liquidity Position: Adequate

The company maintains adequate liquidity position marked by net cash accruals of Rs. 30.00 to 60.00 crore for last three years ending FY2022 against debt repayment of ~Rs. 16.00-27.00 crore over the same period. The current ratio of the company stood at 1.27 times as on March 31, 2022. NCA/TD stood at 0.20 times as on March 31, 2022 and 0.13 times in the previous year. The company had unencumbered cash and bank balances of Rs. 10.75 crore as on March 31, 2022. The company's operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 124 days in FY2022 as compared to 153 days in FY2021. The company's reliance is higher on bank limits which stood utilised 93 percent in the last trailing twelve month ended June 2022.

Outlook: Negative

Acuite has revised the outlook of PNGJ to 'Negative' due to significant increase in exposure to group entities which is expected to add to the pressures on the debt protection indicators over near to medium term. The rating may be downgraded in case any further increase in exposure to group entities or deterioration of sales traction. Conversely, the outlook may be revised to 'Stable' in case of reduction in exposure to group entities, significant improvement operating income without deterioration in profitability margins and capital structure.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2467.17	1819.50
PAT	Rs. Cr.	40.04	7.49
PAT Margin	(%)	1.62	0.41
Total Debt/Tangible Net Worth	Times	0.89	0.89
PBDIT/Interest	Times	3.39	2.31

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

Not Applicable

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Mar 2021	Term Loan	Long Term	6.39	ACUITE A- (Withdrawn)
	Working Capital Term Loan	Long Term	13.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	4.34	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	35.00	ACUITE A2+ (Withdrawn)
	Secured Overdraft	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	4.43	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- (Withdrawn)
	Bank Guarantee	Short Term	5.00	ACUITE A2+ (Withdrawn)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	35.83	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	39.03	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	27.67	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A2+ (Withdrawn)
	Proposed Bank Facility	Short Term	45.00	ACUITE A2+ (Withdrawn)
	Cash Credit	Long Term	40.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	65.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	3.50	ACUITE A- Stable (Reaffirmed)

		Cash Credit	Long Term	55.00	ACUITE A- Stable (Reaffirmed)
		Working Capital Term Loan	Long Term	5.70	ACUITE A- Stable (Reaffirmed)
		Cash Credit	Long Term	20.00	ACUITE A- Negative (Reaffirmed)
		Term Loan	Long Term	6.39	ACUITE A- Negative (Assigned)
		Bank Guarantee	Short Term	5.00	ACUITE A2+ (Reaffirmed)
		Term Loan	Long Term	7.70	ACUITE A- Negative (Assigned)
		Term Loan	Long Term	26.78	ACUITE A- Negative (Assigned)
		Working Capital Demand Loan	Long Term	90.00	ACUITE A- Negative (Reaffirmed)
			Long		
06 Dec 2019		Term Loan	Term	10.50	ACUITE A- (Withdrawn)
		Term Loan	Long Term	36.00	ACUITE A- (Withdrawn)
		Secured Overdraft	Long Term	20.00	ACUITE A- Negative (Reaffirmed)
		Bank Guarantee	Short Term	35.00	ACUITE A2+ (Reaffirmed)
		Cash Credit	Long Term	60.00	ACUITE A- Negative (Reaffirmed)
		Bank Guarantee	Short Term	5.00	ACUITE A2+ (Reaffirmed)
		Term Loan	Long Term	49.63	ACUITE A- Negative (Assigned)
		Cash Credit	Long Term	40.00	ACUITE A- Negative (Reaffirmed)
		Cash Credit	Long Term	15.00	ACUITE A- Negative (Reaffirmed)
05 Oct 2018		Secured Overdraft	Long Term	20.00	ACUITE A- Stable (Assigned)
		Term Loan	Long Term	36.00	ACUITE A- Stable (Assigned)
		Bank Guarantee	Short Term	5.00	ACUITE A2+ (Assigned)
		Cash Credit	Long Term	60.00	ACUITE A- Stable (Assigned)
		Cash Credit	Long Term	20.00	ACUITE A- Stable (Assigned)
		Cash Credit	Long Term	15.00	ACUITE A- Stable (Assigned)
		Bank Guarantee	Short Term	45.00	ACUITE A2+ (Assigned)
		Working Capital Demand Loan	Long Term	90.00	ACUITE A- Stable (Assigned)
		Cash Credit	Long Term	40.00	ACUITE A- Stable (Assigned)
		Bank Guarantee	Short Term	25.00	ACUITE A2+ (Assigned)
		Term Loan	Long Term	10.50	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Negative Reaffirmed Stable to Negative
Janata Sahakari Bank Ltd (Pune)	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A- Negative Reaffirmed Stable to Negative
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A- Negative Reaffirmed Stable to Negative
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Negative Reaffirmed Stable to Negative
The Saraswat Cooperative Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A- Negative Reaffirmed Stable to Negative
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	75.32	ACUITE A- Negative Reaffirmed Stable to Negative
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A2+ Reaffirmed
							ACUITE A-

Bandhan Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.39	ACUITE A- Negative Reaffirmed Stable to Negative
The Saraswat Cooperative Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	25.89	ACUITE A- Negative Reaffirmed Stable to Negative
Karnataka Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	45.42	ACUITE A- Negative Reaffirmed Stable to Negative
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	50.00	ACUITE A- Negative Reaffirmed Stable to Negative
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	12.46	ACUITE A- Negative Reaffirmed Stable to Negative
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	10.52	ACUITE A- Negative Reaffirmed Stable to Negative

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