

Press Release

Waman Hari Pethe Sons Private Limited

January 21, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	155.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	155.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) to the Rs. 155.00 Cr. bank facilities of Waman Hari Pethe Sons Private Limited (WHPS). The outlook is '**Stable**'.

The reaffirmation continues to reflect established track record and extensive experience of management, improvement in operating performance in 8M FY 2022, cost effective measures undertaken by management and decision of management to shift to ownership model from leased model by replacing three leased stores with owned stores in Pune, Raigad and Thane. However, the aforementioned rating strengths partly offset by elevated long term debt levels, higher reliance on working capital limits and tepid market conditions which has impacted demand and lowered spending on discretionary products.

About the Company

Waman Hari Pethe Sons Private Limited (WHPS) started in 2001 as a partnership firm 'Waman Hari Pethe Sons'. Later in 2010, the constitution was changed to private limited and entity was renamed as Waman Hari Pethe Sons Private Limited. The company is promoted by Mr. Subodh Pethe and Mrs. Sonali Pethe. Pursuant to a family arrangement, Mr. Subodh Pethe has been operating under the brand name WHPS. The promoter's family has been in the gold jewellery business for more than 100 years. WHPS operates 12 retail jewellery stores (PY: 13) across Mumbai, Thane, Pune, Solapur, Raigad and Aurangabad.

Analytical Approach

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

Key Rating Drivers

Strengths

>Experienced management and established market position with a strong brand presence

Waman Hari Pethe Sons Private Limited (WHPS) is among the leading gold jewellery retail chains in Maharashtra. The brand 'Waman Hari Pethe' has a history of more than 100 years and it enjoys a strong patronage especially among the Maharashtrian community. Mr. Subodh Pethe, a member of the promoter family, along with his wife Mrs. Sonali Pethe operate

a chain of 12 stores under the name 'WHPS' spread across Mumbai, Thane district, Pune, Solapur, Raigad and Aurangabad. The company owns 7 out of these 12 stores and the balance 5 is on leased. Mr. Subodh Pethe has been managing the business operations for three decades and is ably supported by second line of management. WHPS is well supported by dedicated team of professionals and has tieups with 200 plus artisans. WHPS specializes in Maharashtrian gold and studded jewellery such as 'Mangalsutra', 'Bajubandh', and 'Pichodi' among other products. Mr. Subodh Pethe has recently been awarded a patent for Light Weight Jewellery, a segment which is expected to exhibit steady growth over the near to medium term. Besides plain gold jewellery, the company also has established presence in diamond studded jewellery in tune with the changing consumer preferences.

Acuité believes that the company will continue to benefit from WHPS's strong brand equity, wide network of stores across Maharashtra and the promoter's demonstrated ability to adapt to changing consumer tastes and preferences.

>Improvement in margins

The operating income of the WHPS was marginally declined in FY 2021 and stood at Rs 595.50 crores as compared to Rs. 611.69 crores in FY2020. The reason for decline in operating income is no sales generation in the month of April & May 2020 due to lockdown amid COVID-19. However, the company has booked revenue of 516.01 crores as on November, 2021 and is planning to close this fiscal year with a revenue of more than Rs 700 crores. WHPS has shown consistent improvement in its profitability margins over the past three years ending FY2021. The same is evident through improvement in operating margins which stood at 5.48 percent in FY2021 as against 4.76 percent in FY2020 and 4.11 percent in FY2019. The improvement in margins in FY 2021 has been majorly driven by decline in employee cost and other expenses like rent, electricity charges, other general expenses, sales promotion, etc .

Acuité believes that the profitability levels would improve further due to lower operational cost which will also remain the key monitorable over the medium term.

Weaknesses

>Moderate financial risk profile

The financial risk profile continues to remain moderate marked by moderate net worth, gearing and debt protection measures. The Tangible net worth stood at Rs. 102.19 crores as on 31 March 2021 as against Rs. 96.62 crore as on 31 March, 2020 and Rs. 93.99 crore as on 31 March, 2019. The improvement in net worth is attributable to healthy accretion to reserves over the period. The gearing stood moderate at 2.81 times as on 31 March 2021 as against 2.21 times as on 31 March, 2020 and 2.66 times as on 31 March, 2019. The total borrowings of Rs 287.23 crore as on 31 March, 2021 comprises of short term borrowings of Rs 144.11 crores, gold metal loan (FD backed) of Rs.96.89 crores and term loan of Rs. 46.23 crores. The interest coverage ratio (ICR) stood at 1.44 times in FY2021 as against 1.72 times in FY2020 and 1.65 times in FY2019. The total outside liabilities to tangible net worth stood at 3.18 times as on 31 March 2021 as against 2.69 times as on 31 March, 2020.

However, Gold metal loans are against FD (secured 100%), if the same is not considered in Total Debt, gearing stood improve at 1.86 times, TOL/TNW stood improve at 2.24 times and Debt/EBIDTA stood improve at 5.83 times as on 31 March, 2021.

Acuité believes that the financial risk profile of the company is expected to moderate with regular accretions to reserves and in the moderate debt funded capital expenditures.

>Susceptibility to regulatory framework and increased competition from other branded players

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 remains exposed to regulatory interventions and gold price volatility, which would continue to impact the demand-supply scenario. Gold jewellery retailing is a highly-fragmented segment, with the presence of large organised players and numerous unorganised ones.

Acuité believes that WHPS will remain exposed to regulatory risks over the medium term.

Rating Sensitivities

- Improvement in margins, net cash accruals and liquidity profile
- Elongation in working capital leading to higher-than-expected reliance on external borrowings
- Higher-than-expected capex leading to deterioration in financial risk profile

Material covenants

TOL/TNW – Not exceeding 3 times

Liquidity Position: Adequate

The company maintains adequate liquidity position marked by net cash accruals of Rs. 8.50 to 11.60 crore for last three years ending FY2021 against debt repayment of ~Rs.1.5-2.2crore over the same period. The current ratio of the company stood at 1.24 times as on March 31, 2021. NCA/TD stood at 0.03 times as on 31st March, 2021 and 0.05 times in the previous year. The company maintains unencumbered cash and bank balances of Rs. 5.10 crore as on March 31, 2021. However, the company reliance is higher on bank limits which stood utilized more than 90% for last eight months ending November 2021.

Outlook: Stable

The outlook is 'Stable' on account of established track record and extensive experience of management as well as improvement in operating performance and improved margins. The outlook also factors in expected future growth from sale of patented jewellery products and decision of management to shift to ownership model from leased model thereby improving operating efficiency. The 'Outlook' may be revised to 'Positive' in case the company registers higher-than expected growth in revenues while maintaining its debt protection metrics and profitability. The 'Outlook' may be revised to 'Negative' in case of significant decline in case of further deterioration in profitability margins or weakening of debt protection metrics.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	595.50	611.69
PAT	Rs. Cr.	3.92	6.73
PAT Margin	(%)	0.66	1.10
Total Debt/Tangible Net Worth	Times	2.81	2.21
PBDIT/Interest	Times	1.44	1.72

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Mar 2021	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
21 Jan 2021	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	10.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE A- Stable (Reaffirmed)
19 Oct 2019	Cash Credit	Long Term	25.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Negative (Reaffirmed)
10 Dec 2018	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	60.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	55.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	25.00	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
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A- Stable Reaffirmed
The Saraswat Cooperative Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A- Stable Reaffirmed
Axis Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	10.00	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

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