

## Press Release

Waman Hari Pethe Sons Private Limited

September 19, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE A-   Stable   Assigned	-
Bank Loan Ratings	155.00	ACUITE A-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	165.00	-	-
Total Withdrawn Quantum (Rs.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**'.

Acuite has also assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A Minus**) to the Rs.10.00 Cr bank facilities of WHPS. The outlook is '**Stable**'.

#### Rationale for rating reaffirmation

The rating reaffirmation takes into account the improvement in operations in FY2022 (Provisional) on the back of favorable demand conditions due to post pandemic recovery and reduction in import duties in FY2022. WHPS recorded an aggregate revenue of Rs. 716 Cr against Rs. 636 Cr during the pre-pandemic era. Further, during the pandemic various cost reduction measures were undertaken to ensure stability in operating margins at 4.5-5 percent. In addition the rating factors overall improvement in the financial risk profile as the company has increasingly availed FD backed loans since FY2020 marked by adjusted debt to equity (Total debt – FD backed debt/ Total net worth) at 1.76 times in FY2022 (Provisional) against 2.04 times in FY2020.

However, the rating remains constrained due to working capital intensive nature of operations marked by high inventory days of 134 in FY2022 (Provisional). Also, the rating is cognizant of the intense competition limiting pricing flexibility, volatile gold prices and regulatory risks which may adversely impact the operations.

#### 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 10 retail jewellery stores (as of

## Analytical Approach

Acuité 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 10 stores under the name 'WHPS' spread across Mumbai, Thane district, Pune, Solapur, Raigad and Aurangabad. The company owns 6 out of these 10 stores and the balance 4 is on lease. 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 tie-ups 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.

- **Improved scale of operations and stable operating margins:**

The company earned an aggregate revenue of Rs. 716.51 Cr in FY2022 (Provisional) against Rs. 595.50 Cr in the previous year. The sales increase is completely driven by increased demand for gold in FY2022 due to post pandemic recovery and reduction in import duty in FY2022. The quantitative gold sales marked an increase of 28 percent to 1317 kgs in FY2022 (Provisional) against the previous year whereas silver sales remain at the same level as FY2021. Gold sales accounts for ~94-95 percent of the total revenue earned through FY2020-22.

Further, the EBITDA margins of the company remain stable at 4-5 percent through FY2019-22. The EBITDA margins remained unaffected since the company reduced its employee cost in FY2021 and FY2022. However, going forward the employee cost is expected to increase since the company intends to give increments and bonuses. In addition, the aggregate rental cost declined since the company shut its rental stores at Panvel and Kalyan and acquired owned premises in the same location. The company has 6 owned premises and 4 rented premises as of June 2022.

Acuité believes with going forward the company margins are expected to remain in the range of 4-5 percent.

### Weaknesses

- **Moderate financial risk profile:**

The financial risk profile of the company is moderate marked by net worth of Rs. 110.02 Cr as on March 31, 2022 (provisional) against Rs. 102.19 Cr in the previous year. The increase in net worth is due to moderate accretion to reserves.

The aggregate debt of the company stood at Rs. 312.50 Cr as on March 31, 2022 against Rs. 287.23 Cr as on March 31, 2021. Of the aggregate debt Rs. 118.87 Cr are FD backed debt, short term debt amounts to Rs. 121.49 Cr and long term debt stood at Rs. 72.14 Cr as on

March 31, 2022 (Provisional). The company in FY2022 has availed an additional loan of Rs. 6.00 Cr towards constructing a property at Chinchwad.

The company follows a moderate leverage policy marked by adjusted debt to equity (Total debt – FD backed debt/ Total net worth) of 1.76 times as on March 31, 2022 (Provisional) against 1.86 times in FY2021 and 2.04 times FY2020 respectively. Additionally, the stable operating margins through FY2020-22 ensure average interest coverage ratio and debt service coverage ratio of 1.61 times and 1.39 times respectively.

Acuité believes the financial risk profile of the company will remain moderate marked by adjusted debt to equity above 1 in view of low debt funded capex over the medium term.

#### •Intense competition and exposure to regulatory risk:

Increased regulatory intervention in the form of bullion import restrictions, metal loan funding, mandatory PAN disclosure on transactions above a certain limit, and imposition of taxes have adversely impacted the gold and jewellery industry. Besides, introduction of the sovereign gold bond schemes will shift consumer preference away from physical gold. Additionally, Gold jewellery retailing is a highly-fragmented segment, with the presence of large organized and numerous unorganized players, which limits its pricing flexibility and same store revenue growth to an extent. However, the company's presence since 1905 and strong brand value has enabled it to establish as a major player within Maharashtra over the years.

### Rating Sensitivities

- Ability to improve its inventory days thereby reducing dependence on external borrowings.
- Higher-than-expected debt funded capex leading to deterioration in financial risk profile particularly adjusted debt to equity above 2.
- Sustained improvement in revenue and operating margins.

### Material covenants

- Total outside liabilities/Total net worth (TOL/TNW)  $\leq 3$

### Liquidity: Adequate

The liquidity of the company is adequate marked by net cash accruals in the range of Rs.8-12 Cr through FY2020-22 against repayment obligations in the range of Rs.1.54-2.20 Cr. Going forward, the net cash accruals are expected to be around Rs.10-10.50 in FY2023 and FY2024 against repayment obligations of Rs. 4.70-4.90 Cr. The average bank limit utilization of the company stood at 94 percent for the 6 months period ended May 2022. However, the company procures its inventory by way of availing additional FD backed Gold metal from banks loans of Rs. 91.36 Cr wherein unutilized balance of ~50 percent is available as on September 08, 2022. Additionally, WHPS has unencumbered cash and bank balance of Rs. 2.37 Cr as on March 31, 2022 (Provisional).

### 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 stable margins. The rating also factors the improving financial risk profile since FY2020 marked by declining adjusted debt to equity ratio. 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 deterioration in financial risk profile due decline in profitability margins, stretched working capital cycle or debt funded capital expenditure.

### Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	716.51	595.50
PAT	Rs. Cr.	7.82	3.92
PAT Margin	(%)	1.09	0.66
Total Debt/Tangible Net Worth	Times	2.84	2.81
PBDIT/Interest	Times	1.67	1.44

### 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-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
21 Jan 2022	Cash Credit	Long Term	20.00	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE A-   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	25.00	ACUITE A-   Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	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)
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	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)

2021	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)
		Long		
2018	Cash Credit	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 Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	26.50	ACUITE A-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-   Stable   Assigned
Axis Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	8.50	ACUITE A-   Stable   Reaffirmed

**Axis Bank:** Cash credit (CC) includes Rs. 33.00 Cr working capital demand loan (WCDL) and Rs. 49.50 Cr Gold metal loan (GML) as sublimit.

**ICICI Bank:** CC includes WCDL and GML as sublimit

**HDFC Bank:** CC includes WCDL as sublimit

**Saraswat Bank:** CC includes WCDL as sublimit

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### About Acuité Ratings & Research

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