



Press Release
WAMAN HARI PETHE SONS PRIVATE LIMITED
June 02, 2023
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	165.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	175.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**Acuite A-**' (read as '**Acuite A minus**') for the Rs. 165.00 crore 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 crore bank facilities of WHPS. The outlook is '**stable**'.

Rationale for reaffirmation

The rating reaffirmation considers the stable operating and financial performance of WHPS, marked by improved revenue, range-bound operating margins, and a moderate financial risk profile. The revenue of the company stood at Rs.788.80 crore in FY2023 (Prov.), registering a growth of 10 percent YoY compared to a revenue of Rs.716.51 crore in FY2022. The operating margin ranged between 4.5 and 5.5 percent over the last three years, ending FY 2023 (Prov.). The financial risk profile, marked by moderate gearing and average debt protection metrics, continues to remain moderate. The rating remains constrained on account of the working capital-intensive nature of operations. Also, the rating takes cognizance of the intense competition limiting pricing flexibility, volatile gold prices, and regulatory risks that may adversely impact the operations.

About the Company

Waman Hari Pethe Sons Private Limited (WHPS) started in 2001 as a partnership firm called "Waman Hari Pethe Sons". Later in 2010, the constitution was changed to private limited and the entity was renamed "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 across Mumbai, the Mumbai Metropolitan Region, Thane, Pune, Solapur, and Raigad.

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 an 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 enjoys 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, the Mumbai Metropolitan Region, Thane district, Pune, Solapur, Raigad, and Aurangabad. The company owns six out of these 10 stores, and the balance is on lease. Mr. Subodh Pethe has been managing the business operations for three decades and is ably supported by the second line of management. WHPS is well supported by a dedicated team of professionals and has tie-ups with more than 200 artisans. WHPS specialises 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 that is expected to exhibit steady growth over the near to medium term. Besides plain gold jewellery, the company also has an established presence in diamond-studded jewellery in tune with 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.

Stable operating performance

The operating performance of the company remains stable, as the revenue of the company stood at Rs.788.80 crore in FY2023 (Prov), registering a growth of 10 percent YoY compared to a revenue of Rs.716.51 crore in FY2022. The operating profit margin of the company stood at 4.97% for FY2023 (prov.) as against 4.68% for FY2022. The PAT margin stood at 1.57% for FY2023 (prov.) as against 1.01% for FY2022.

Moderate financial risk profile

The company has a moderate financial risk profile marked by moderate tangible net worth, moderate gearing, and moderate coverage ratios. The tangible net worth improved to Rs. 117.84 crore as of March 31, 2023 (prov.) as against Rs. 109.18 crore as of March 31, 2022, owing to accretion in reserves. The company follows a moderate leverage policy, as the gearing level of the company improved to 1.50 times as of March 31, 2023 (prov.) as against 2.86 times as of March 31, 2022. The adjusted debt-to-equity ratio (total debt minus FD-backed debt/total net worth) improved to 1.36 times as of March 31, 2023 (prov.) as against 1.77 times as of March 31, 2022. The improvement in gearing level is on account of the repayment of loans to the tune of Rs. 58.28 crore in FY 2023 and the change of working capital facilities to a gold metal loan from an FD-backed gold loan. The funds released from these gold-backed FDs were partly used towards paying off the long-term loans.

The coverage ratios of the company remained moderate, with an interest coverage ratio (ICR) of 2.04 times for FY2023 (prov.) against 1.66 times for FY2022. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.83 times for FY2023 (prov.) against 1.52 times for FY2022. The ratio of total outside liabilities to tangible net worth (TOL/TNW) of the company improved to 1.82 times as of March 31, 2023 (prov.) against 3.18 times as of March 31, 2022.

Acuité believes that the financial risk profile is likely to improve in the near to medium term, led by a change in the debt profile on account of availing gold metal loans, thereby leading to efficient management of working capital borrowings.

Weaknesses

Working capital-intensive nature of operations

The operations of the company are working capital intensive in nature, as marked by gross

current asset (GCA) days of 117 days for FY2023 (prov.) as against 135 days for FY2022. The GCA days are driven by inventory levels; being in the retail jewellery segment, the company needs to maintain adequate inventory levels at its store. The inventory days stood at 117 days for FY2023 (prov.) compared to 134 days for FY2022. The average utilisation of the working capital limits of the company remained on the higher side at 92.15 percent in FY2023.

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 the imposition of taxes have adversely impacted the gold and jewellery industries. Besides, the 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 organised and numerous unorganised 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 have enabled it to establish itself as a major player in Maharashtra over the years.

Rating Sensitivities

- Higher-than-expected debt funded capex leading to deterioration in financial risk profile
- Sustained improvement in revenue and operating margins.

Material covenants

None

Liquidity Position

Adequate

The company has an adequate liquidity position, marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs. 16.60 crore in FY2023 (prov.). The company repaid its loans to the tune of Rs. 58.28 crore during the year 2023; the funds were raised through liquidating its fixed deposits. The cash accruals of the company are estimated to remain around Rs. 21.88–25.05 crore during the 2024–25 period against maturing debt obligations in the range of Rs. 0.46–0.88. The average utilisation of the working capital limits of the company remained on the higher side at 92.15 percent in FY2023. Furthermore, the company maintains unencumbered cash and bank balances of Rs. 0.51 crore as of March 31, 2023, and the current ratio also stood at 1.32 times as of March 31, 2022.

Outlook: Stable

The outlook is 'stable' on account of the stable operating and financial performance of WHPS, marked by improved revenue, range-bound operating margins, and a moderate financial risk profile. 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 the event of a significant deterioration in the financial risk profile due to a decline in profitability margins, a stretched working capital cycle, or debt-funded capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	788.80	716.51
PAT	Rs. Cr.	12.36	7.25
PAT Margin	(%)	1.57	1.01
Total Debt/Tangible Net Worth	Times	1.50	2.86
PBDIT/Interest	Times	2.04	1.66

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Sep 2022	Working Capital Term Loan	Long Term	8.50	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	26.50	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	10.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	55.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
21 Jan 2022	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)
	Cash Credit	Long Term	20.00	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 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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A- Stable Reaffirmed
RBL Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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