

Press Release

Everest Gold Mart Private Limited

October 07, 2020



Rating Reaffirmed & Withdrawn

Total Bank Facilities Rated	Rs. 15.00 crore (Reduced from Rs 28.00 crore)
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs 15.00 crore bank facilities of Everest Gold Mart Private Limited (EGMPL). The outlook is '**Stable**'.

Everest Gold Mart Private Limited is a Tamil Nadu based firm, which started as a partnership firm in 1971 and converted to private limited in the year 2012. It is engaged in running retail store for gold and silver jewellery in Tamil Nadu. The company is running four retail showrooms in Ramanthapuram, Paramakudi, Thondi and Sivaganga respectively. EGMPL is currently managed by Mr. Vasudevan Venkatesh, Mr. Balasubramanian Nanthakumar and Mr. Ayyavu Vasudevan.

EGMPL recently added one more retail outlet in Sivaganga, Tamil Nadu. The showroom was inaugurated in March 2020 and has started its operations since then.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

EGMPL was established as a partnership firm in 1971 which later got converted into a private limited company in 2012. Thus, the company has an operational track record of around five decades in the retailing of gold and silver jewellery. The director of the company Mr. Ayyavu Vasudevan has experience of almost five decades in the jewellery business. The other directors Mr. Balasubramanian Nanthakumar and Mr. Vasudevan Venkatesh have experience of around two decades in the industry. The long track record of operations along with extensive experience of the promoters has helped the company maintain a stable business risk profile and get repeat customers. Acuité believes that EGMPL will sustain its existing business profile on the back of an established track record of operations and experienced management.

- **Comfortable financial risk profile**

The financial risk profile of the company stood comfortable marked by modest networth, comfortable gearing level, and healthy debt protection metrics. The tangible networth stood at Rs 40.37 crore as on 31st March, 2020 as compared to Rs 32.90 crore in the previous year (includes zero coupon optionally convertible debentures given to the promoters - treated as quasi equity of Rs. 23.50 crore in FY 2020; Rs. 21.17 crore in FY 2019). The gearing (debt-equity) stood comfortable at 0.55 times as on 31st March, 2020 as compared to 0.73 times in the previous year. The total debt of Rs 22.21 crore as on 31st March, 2020 consists of working capital borrowings of Rs 20.31 crore and unsecured loan from directors of Rs 1.90 crore. The coverage indicators stood healthy marked by Interest coverage ratio (ICR) which stood at 2.57 times for FY 2020 as compared to 1.49 times in FY 2019 and Total outside liabilities/ total net worth (TOL/TNW) stood at 0.87 in FY 2020 as compared to 0.93 in 2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.25 times in FY 2020 and 0.08 times in FY2019. Debt to EBITDA stood at 1.63 times in FY 2020 as against 3.09 times in FY 2019. The financial risk profile is expected to remain at similar levels over the medium term due to the absence of any debt-funded capex plan.

Weaknesses

• Geographical concentration risk

The company is exposed to high geographical risk as it has three retail outlets located in Ramanathapuram district and one in Sivaganga in the state of Tamil Nadu. The high geographical concentration renders the revenue growth and profitability susceptible to the growth plans and procurement. However, this risk is mitigated to an extent as management is operating in this area for nearly five decades. The company's performance is expected to remain exposed to the local competition in this region.

• 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 longstanding presence in the business, EGMPL faces challenges of intensifying competition from regional players as well as pan India players. Further, the fragmented nature of the industry has resulted in strong competitive pressures.

Rating Sensitivity

- Sustained profitability
- Improvement in the operating income

Material Covenants

None

Liquidity Profile: Adequate

EGMPL has adequate liquidity marked by moderate cash accruals against no term debt obligations. The company generated cash accruals of Rs 1.07-5.47 crore in FY 2018-2020. The cash accruals of the firm are estimated to remain in the range of around Rs. 5.50-7.15 crore during 2021-23. The current ratio stood comfortable at 2.13 times as on March 31, 2020. The current ratio is high due to high inventory to be maintained for retail outlets. The working capital operations of EGMPL stood moderate, marked by GCA (Gross Current Assets) days of 106 days in FY 2020 as similar with 107 days in the previous year. The firm maintains unencumbered cash and bank balances of Rs. 0.19 crore as on March 31, 2020. The current ratio stood comfortable at 2.13 times as on March 31, 2020. The working capital limits remained utilized at an average of around 95 percent for 6 months ended August, 2020. Acuité believes that the liquidity of the company is likely to remain at similar levels over the medium term.

Outlook: Stable

Acuité believes that Everest Gold Mart Private Limited's outlook will remain 'Stable' over the medium term from its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of growth in revenues and profitability while sustaining its financial risk profile. The outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or increasing working capital intensity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	242.55	199.14
PAT	Rs. Cr.	5.14	1.54
PAT Margin	(%)	2.12	0.78
Total Debt/Tangible Net Worth	Times	0.55	0.73
PBDIT/Interest	Times	2.57	1.45

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
05-Sep-2019	Cash Credit	Long Term	26.50	ACUITE BBB-/Stable (Assigned)
	Proposed bank facility	Long Term	1.50	ACUITE BBB-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	10-Jan-2020	Not Applicable	Not Applicable	15.00 (Reduced from Rs 26.50 crore)	ACUITE BBB-/Stable (Reaffirmed)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB- (Withdrawn)

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About Acuité Ratings & Research:

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