



Press Release
Everest Gold Mart Private Limited
August 28, 2023

Rating Reaffirmed & Withdrawn and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.00	ACUITE BBB Reaffirmed & Withdrawn	-
Bank Loan Ratings	6.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuite has reaffirmed & withdrawn its long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**)' on Rs 9.00 crore bank facilities. The proposed long term rating is withdrawn on Rs. 6.00 crore of Everest Gold Mart Private Limited. The rating is being withdrawn on account of the request received from the firm and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

Rationale for rating reaffirmation

The rating reaffirmation of EGMPL takes into account improvement in the company's operating income. The sales of the company increased since all the four retail outlets of the company experienced stability which ultimately led to an increase in demand of gold and silver jewellery. The rating also draws comfort from company's experienced management with an established track record of operations and its moderate financial risk profile.

About the Company

EGMPL established in 1971 as a partnership firm and later got converted to a private limited company in 2012, is engaged in running retail stores for gold and silver jewellery. The company has four retail showrooms in Tamil Nadu at Ramanthapuram, Paramakudi, Thondi and Sivaganga respectively under the name of 'Everest Jewellery'.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established track record of operations

EGMPL has an operational track record of nearly five decades. The company is promoted by Mr. Ayyavu Vasudevan who possess more than five decades of experience in the retailing of gold and silver jewellery. He is supported by other directors Mr. Balasubramanian Nanthakumar and Mr. Vasudevan Venkatesh who possess nearly two decades of experience in the same industry. The promoter and directors are being supported by its team of experienced professionals in managing day to day operations of EGMPL. The extensive experience of the management has enabled EGMPL to establish a healthy relationship with

its customers and suppliers.

Acuité believes that EGMPL will continue to benefit from its experienced management and

established track record of operations.

Moderate financial risk profile

The financial risk profile of the company remained moderate marked by healthy net worth, gearing ratio & debt protection metrics. The net worth stood at Rs 80.57 Cr as on 31 March 2023 (Prov) as against Rs 68.69 Cr same period last year. The gearing level of the company remained at 0.14 times as on 31 March 2023 (Prov) as against 0.26 times same period last year. Also, the Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio stood at 0.45 times in as on 31 March 2023 (Prov) compared against 0.54 times as on 31 March 2022. The debt protection matrices of the company is improving marked by Interest Coverage Ratio (ICR) of 12.15 times for FY23 (Prov) and Debt service coverage ratio (DSCR) of 9.37 times for the same period. Acuité believes that the financial risk profile of the firm will remain healthy over the medium term.

Improved Working Capital Management

The working capital operations of the company improved marked by GCA Days of 89 days for FY23 (Prov) as compared against 95 days for FY22. Furthermore, the receivables days is NIL for both FY23 (Prov) & FY22. However debtors are given 7 – 14 days of credit period in some occasions. The inventory days of the company stood at 92 days for FY23 (Prov) as against 100 days for FY22. The company operates four retail outlets and therefore has to maintain adequate inventory i.e. all kinds of gold and silver jewellerys on display for the customers. The creditor days is NIL for FY23 (Prov) & FY22.

Weaknesses

Decline in profitability margins

EBITDA Margin for the FY23 (Prov) stood at 3.85% as against FY22 at 5.15%. The Profit after tax margins (PAT) stood at 2.55% in FY23 (Prov) as against 2.92% in FY22.

Acuité believes that any further decline in EGMPL's operating and profitability margin will remain a key rating sensitivity factor.

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 changes in hallmarking norms 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 Sensitivities

Ability to restrict any further decline in profitability margins

Ability to improve and maintain an efficient working capital cycle

All Covenants

None

Liquidity Position

Adequate

The liquidity position of the company remains adequate marked by moderate net cash accruals of Rs 11.97Cr in FY23 (Prov) against NIL maturing debt obligations for the same period. The current ratio of the firm remains above unity at 3.71 times as on 31 March 2023 (Prov). The firm has unencumbered cash and bank balances of Rs 0.37 Cr as on 31 March 2023 (Prov).

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	451.42	379.03
PAT	Rs. Cr.	11.53	11.07
PAT Margin	(%)	2.55	2.92
Total Debt/Tangible Net Worth	Times	0.14	0.26
PBDIT/Interest	Times	12.15	5.04

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>
- Trading Entitie: <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

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
17 Mar 2023	Proposed Bank Facility	Long Term	6.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
30 Dec 2021	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Upgraded from ACUITE BBB-)
07 Oct 2020	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.50	ACUITE BBB- (Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BBB Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	Not Applicable Withdrawn

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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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