



**Press Release**  
**Caps Gold Private Limited**  
**August 01, 2024**

**Rating Assigned and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	75.00	ACUITE BBB   Stable   Upgraded	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	105.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.75.00 Cr. bank facilities of Caps Gold Private Limited (CAPS). The outlook is '**Stable**'.

Acuite has assigned the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.30.00 Cr. bank facilities of Caps Gold Private Limited (CAPS). The outlook is '**Stable**'.

**Rationale for upgrade :**

The rating upgrade takes into account the improved operating revenue in FY2024 (Prov), comfortable financial risk profile, and adequate liquidity position of CAPS. The operating income of CAPS has shown 20.48 percent YOY growth in FY2024 (Prov) as compared to the previous year FY2023, which stood at Rs.8385.27 Cr. in FY2024(Prov) as against Rs. 6959.90 Cr. in FY2023. The operating margins ranged between 0.16-0.21 percent for the last two years ended FY2024 (Prov). The financial risk profile of CAPS continues to be comfortable, with comfortable debt protection metrics, low gearing, and efficient working capital management.

The rating, however, remains constrained by intense competition, exposure to regulatory risks, and thin margins in the gold trading business.

**About the Company**

Caps Gold Private Limited (CAPS) is a Hyderabad based company established in 1901, by Chanda Anjaiah. CAPS Gold is a Wholesaler in precious metals (Gold & Silver) and also engaged in retail jewellery business. The company's day to day operations are managed by Mr. Chanda Venkatesh (Managing Director) and his family. The company operates 4 gold retail showrooms under the brand name of KALASHA in Telangana (2) and one each in Karnataka and Andhra Pradesh.

**Unsupported Rating**

Not applicable

### **Analytical Approach**

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

### **Key Rating Drivers**

## Strengths

- **Extensive experience and track record of promoters in bullion trading business**

The promoters Mr. Chanda Venkatesh and his family have been in the gold business for around 120 years and have strong relationships with its diversified customer portfolio, which comprises retailers about 4000+ across India, to support the repeated business and volume growth over the years. CAPS's customers in the domestic market include jewellers, traders, bullion dealers, wholesalers, and retailers' agents located across the cities in India. CAPS benefits from a strong system, management, customer/supplier tie-ups, and infrastructure support from its promoters. Acuite believes that CAPS's business risk profile is expected to benefit from the experienced management supported by strong second and third lines of personnel who are expected to continue to support CAPS's market position over the medium term.

- **Improved operating income**

The company has reported YOY growth of ~20.48 percent in FY2024(Prov) as compared to the previous year, which stood at Rs.8385.27 Cr. in FY2024(Prov), as against Rs. 8997.92 Cr. owing to an improved customer base across the states in its bullion trading operations. Further, the company operates with three showrooms under the brand name Kalasa in Telangana (2) and one in Andhra Pradesh. Despite the improvement in revenue, CAP's operating profitability was low, reported at 0.16 percent in FY2024 (Prov) (FY2023: 0.21 percent) due to the trading nature of operations with very limited value addition. The company's profitability metrics are vulnerable to fluctuations in gold prices. Acuite believes the revenue of the company will be stable going forward based on the general standard in this industry.

- **Moderate financial risk profile**

The financial risk profile of the company has remained moderate, with comfortable debt protection metrics and low gearing. The net worth of the company stood at Rs.82.14 Cr. and Rs.72.05 Cr. as on March 31, 2024 (prov) and 2023, respectively. The improvement is on account of the healthy accumulation of net profit in the reserves. The gearing of the company stood at 0.67 times as on March 31, 2024 (prov), as opposed to 0.85 times as on March 31, 2023. CAPS's debt protection metrics are comfortable, marked by: Interest coverage ratio and debt service coverage ratio stood at 2.95 times and 2.51 times as on March 31, 2024 (prov), respectively, as against 5.99 times and 4.29 times as on March 31, 2023, respectively. TOL/TNW stood at 1.39 times and 1.59 times as on March 31, 2024 (prov), and 2023 respectively. The debt to EBITDA of the company stood at 3.60 times as on March 31, 2024 (prov) as against 3.70 times as on March 31, 2023. Acuite believes that the financial risk profile of the CAPS is expected to be healthy over the medium term.

- **Efficient working capital management**

CAPS's working capital management is efficient, with gross current assets days (GCA) of 7 to 8 days historically due to prudent inventory management and efficient collection of trade receivables supported by reputed clientele during the last 2 years, which ended on March 31, 2024 (Prov). The inventory days are 3–4 days, and the debtor days are at a day due to all the transactions being on a cash and carry basis during the last 2 years ending on March 31, 2024 (prov). As all the transactions of the company are made against advance payments, the working capital requirement for operations would remain low. The average fund bank limit utilization stood at about 31 percent over nine months ended May 2024. Acuite believes that CAPS operation continues to be efficiently managed supported by moderate net worth, efficient collection mechanism and in time inventory levels.

## Weaknesses

- **Intense competition and exposure to regulatory risks**

CAPS's gold trading operations remain exposed to uncertainties related to regulatory measures adopted by the Govt through the Director General of Foreign Trade (DGFT) and the Reserve Bank of India (RBI). Revenue and profitability also depend on duty structures, and any adverse change in these can impact the operating performance of CAPS. The bullion trading industry is marked by intense competition as there are low entry barriers due to low capital requirements. The price of gold is highly volatile and depends on the prices in the international market. Further Gold jewelry retailing is a highly fragmented segment, with the presence of large organized players and numerous unorganized ones. Acuité believes the industry will remain exposed to regulatory interventions and gold price volatility, which will continue to impact the demand-supply scenario.

- **Inherently thin margins in gold trading business**

The company is primarily a trading agent dealing in the procurement and distribution of bullion (like gold and silver). Owing to the low-value additive nature of the business and intense competition, the operating profit margin of the company remained low and stood at 0.16 percent in FY2024 (Prov). Acuité believes that from the refinery unit in FY2025, duty advantage will aid the company in improving margins over the medium term.

### **Rating Sensitivities**

- Significantly increase its sales volumes while improving its profitability margins
- Substantial increase in the working capital requirements results in elevated levels of debt

### **Liquidity Position: Adequate**

The company's liquidity is adequate, with adequate NCAs for its repayment obligations. The company generated cash accruals of Rs.10.08 Cr. during FY2024 (Prov), while its maturing debt obligations were Rs.0.24 Cr. during the same period. The cash accruals of the company are estimated to remain around Rs.10.42-12.73 Cr. during FY2025-26, while their repayment obligations are Rs.1.10-1.14Cr during the same period. The company has maintained unencumbered cash and bank balances Rs.11.77 Cr. and the current ratio stood at 2.10 times as on March 31, 2024 (prov). The average fund bank limit utilization stood at about 31 percent over nine months ended May 2024. Acuité expects that the liquidity of the company is likely to be adequate over the medium term on account of healthy cash accruals.

### **Outlook: Stable**

Acuité believes that CAPS will maintain a 'stable' outlook over the medium term, owing to its experienced management, long-track record of operations, and established brand presence. The outlook may be revised to 'Positive' in case the CAPS registers healthy growth in its revenue while sustaining profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any sharp decline in its revenues, volatility in its profitability, or any significant stretch in its working capital management leading to deterioration in the financial risk profile and liquidity position.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	8385.27	6959.90
PAT	Rs. Cr.	8.33	8.28
PAT Margin	(%)	0.10	0.12
Total Debt/Tangible Net Worth	Times	0.67	0.85
PBDIT/Interest	Times	2.95	5.99

### 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jun 2024	Cash Credit	Long Term	18.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Metal Loan	Long Term	28.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Cash Credit	Long Term	20.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Proposed Long Term Bank Facility	Long Term	9.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
30 Mar 2023	Cash Credit	Long Term	18.00	ACUITE BBB   Stable (Reaffirmed)
	Metal Loan	Long Term	28.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	9.00	ACUITE BBB   Stable (Reaffirmed)
04 Mar 2022	Cash Credit	Long Term	18.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Metal Loan	Long Term	28.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	20.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Long Term Bank Facility	Long Term	9.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)

## 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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
ICICI Bank Ltd	Not avl. / Not appl.	Metal Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
ICICI Bank Ltd	Not avl. / Not appl.	Metal Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	27.00	ACUITE BBB   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.40	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2031	Simple	4.60	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2031	Simple	3.00	ACUITE BBB   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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