

## Press Release

### CMR Textiles And Jewellers Private Limited (Erstwhile Chandana Brothers Shopping Mall Private Limited)

September 19, 2022



### Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Short Term Rating	Short Term Rating
Bank Loan Ratings	325.00	ACUITE A-   Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	325.00	-	-

### Rating Rationale

Acuite has reaffirmed & withdrawn its long - term rating of '**ACUITE A-**' (read as **ACUITE A Minus**) on the Rs.325.00 crore bank facilities of CMR TEXTILES AND JEWELLERS PRIVATE LIMITED (CTAJPL).

The withdrawal is on account of client's request and receipt of NOC from the lead banker. The withdrawal is in accordance with Acuite's policy on withdrawal of rating.

The ratings reaffirmation continues to be supported by promoters extensive experience in retail industry; established track record of operations in Andhra Pradesh, widespread presence across A.P; new venture into multi-complex building development, above-average financial risk, low customer and supplier concentration risk in revenue profile . The rating is, albeit, constrained by its working capital-intensive nature of operations and presence of intense competition in the sector; impact of change in regulations; susceptibility of operating margins to volatility in commodity prices.

### About the Company

Established in 1984 and based in Visakhapatnam (Andhra Pradesh), CMR TEXTILES AND JEWELLERS PRIVATE LIMITED is a part of Chandana Brothers group. It was set up as partnership firm 'Chandana Brothers Shopping Mall' by Mr. Chandana Mohan Rao, Mr. Mavuri Venkata Ramana, Ms. Mavuri Venkata Padmavathi and other family members. Currently, the family members under the group are conducting the business with the same brand name of 'Chandana Brothers', but operates independently based on the territory. In March 2014, the firm changed its constitution to private limited company and currently is promoted by Mr. Chandana Mohan Rao, Mr. Mavuri Venkata Ramana, Ms. Mavuri Venkata Padmavathi, Ms. Chandana Subba Laxmi and other family members. CTAJPL operates various stores, showrooms & malls under the brand name of 'Chandana Brothers', 'CMR' and 'Kanchi Kamakshi' and is engaged in retailing of textiles apparels, readymade garments, various types of jewellery in the state of Andhra Pradesh.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the CMR TEXTILES AND JEWELLERS PRIVATE LIMITED (CTAJPL) to arrive at this rating.

## Key Rating Drivers

### Strengths

- **Promoters extensive experience in retail industry; established track record of operations in Andhra Pradesh**

CTAJPL's directors, Mr. Chandana Mohan Rao, Mr. Mavuri Venkata Ramana, Ms. Mavuri Venkata Padmavathi has been part of the day-to-day operations of the group since its inception in 1984. The business of retailing was initially started by Mr. Chandana Mohan Rao (also known as CMR) around 50 years ago and later the family members joined in the business. Chandana Brothers, with nearly four decades of leadership in retail business, is among the top retail enterprises in the state of Andhra Pradesh. The senior management team is ably supported by a strong line of mid-level managers. Mr. Mavuri Mohan Balaji, son of Mr. Mavuri Venkata Ramana, is the third generation of the family line and has joined the family business as the next successor. The extensive experience of the promoters is reflected through the established relationship with its suppliers. On the back of the presence of wide range of products targeting customers of different income category through separate brands (Chandana Brothers, CMR and Kanchi Kamakshi) and intensive promotions and advertisement for brand awareness. The operating income has improved to Rs.1627.94 Cr. in FY2022(Prov.) from Rs.1288.52 Cr. in FY2021 on account improvement in realizations and addition of eight new stores at CMR Bhimavaram, CMR Narsipatnam, CMR Ongole, CMR Narasannapeta, CMR Amalapuram, Kothagudem, M rage, KK bhimavaram . Acuité believes that CTAJPL will continue to derive benefits from its experienced management and established presence and track record of operations over the long term period.

- **Widespread presence across A.P; new venture into multi-complex building development**

CTAJPL operates various stores, showrooms & malls under the brand name of 'Chandana Brothers', 'CMR' and 'Kanchi Kamakshi'. CTAJPL has its presence in the Visakhapatnam, Rajahmundry, Kakinada, Gopalapatnam, Vizianagaram, Srikakulam, Guntur, Bhimavaram, Ongole, Narasannapeta, Amalapuram, Kothagudem, Narsipatnam, Tirupathi, Eluru, Anakapalli and Gajuwaka region of Andhra Pradesh. CTAJPL has 25 operational stores and showrooms for retail trading of textiles, readymade garments, various kinds of jewellery and precious articles. The 'Chandana Brothers' and 'CMR' brand is established to target the customer base consisting of middle and lower middle income category individuals, whereas 'Kanchi Kamakshi' is established to target the customer base consisting of middle and upper middle income category individuals. The company also has ventured into the multi-complex building development business by constructing a multi-complex at Gajuwaka with build-up area of around 75,000 Sq.ft to have a stable rental income from tenants with reputed names such as Inox Leisure Limited and KFC, among others. Besides, CTAJPL has bought land at Rajahmundry and Kakinada for its plan to develop similar multi-complex based buildings. Acuité believes that the commencement of additional showroom and multi-complex building, along with capex underway for further development of multi-complex building will aid in strengthening of revenue and financial risk profile of the company.

- **Above-average financial risk profile**

The company's financial risk profile is marked by a healthy net worth, gearing and moderate debt protection metrics. The net worth of the company stood at Rs.258.16 Cr and Rs.222.95 Cr as on March 31, 2022(Prov.) and 2021 respectively. The gearing of the company stood at 1.55 times as on March 31, 2022(Prov.) against 1.36 times as on March 31, 2021. The deterioration in the gearing is because increase in debt portion. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 2.92 times and 1.76 times as on March 31, 2022(Prov.) respectively as against 2.72 times and 1.45 times as on March 31, 2021 respectively. The deterioration in the DSCR is

because increase in repayment. TOL/TNW (Total outside liabilities/Total net worth) stood at 3.00 times and 2.12 times as on March 31, 2022(Prov.) and 2021 respectively. The debt to EBITDA of the company stood at 4.29 times as on 31 March, 2022(Prov.) as against 3.54 times as on 31st March, 2021. Acuité expects the financial risk profile to remain above-average over the medium to long term period on account of healthy capital structure and stable operations of the company.

- **Low customer and supplier concentration risk in revenue profile**

CTAJPL have been successfully able to increase its geographical coverage by establishing various stores across the state of Andhra Pradesh. None of the single store out of the 25 operational stores of CTAJPL has contributed more than 20 percent to the total sales of the company. The prominent stores in terms of revenue contribution are located at Visakhapatnam, Gajuwaka, Gopalapatnam and Vizianagaram. The current suppliers are associated with the operations of the company for more than 5 years now. None of the single supplier of CTAJPL contributed more than 20 percent to the total purchases of the company. The company has wide variety of products offerings covering Men's wear, Ladies wear, Kids wear in textiles segment and Bangles, Bracelets, Earrings, Enamel, Pendants, Rings and Wedding Bands in jewellery segment. CTAJPL jewellery division is the major contributor towards the total sales realized by the company over the last 4 financial years. Acuité believes that CTAJPL has low risk towards its revenue profile in terms of geographical, customer and supplier concentration and will benefit from its diversified product offerings over the medium term.

## **Weaknesses**

- **Working capital intensive operations**

The working capital management of the company remained moderate gross current asset (GCA) days at 165 days as on March 31, 2022(Prov.) as against 138 days as on March 31, 2021. The GCA days are majorly marked by high inventory. Inventory days stood at 171 days as on March 31, 2022(Prov.) as against 144 days as on March 31, 2021. Subsequently, the payable period stood at 77 days as on March 31, 2022(Prov.) as against 43 days as on March 31, 2021 respectively. The debtor day stood at 1 days as on March 31, 2022(Prov.) as against nil days as on March 31, 2021. Further, the average bank limit utilization in the last seven months ended August, 2022 remained at 95 percent for fund based limits. Acuité expects the operations of the company to remain working capital intensive on account of the high inventory levels maintained by the company due to the nature of the retail industry and presence of inventory held at various stores. Acuité expects the operations of the company to remain working capital intensive on account of the high inventory levels maintained by the company due to the nature of the retail industry and presence of inventory held at various stores.

- **Presence of intense competition in the sector; impact of change in regulations; susceptibility of operating margins to volatility in commodity prices.**

The Indian retail sector is subjected to intense competition on account of presence of several organized as well unorganized players in the industry. The company faces intense competition from R.S. Brothers Group, Kalamandir Group, and J.C. Brothers Group etc. in the southern region of the country. Apart from this, regulatory intervention such as compulsory hallmarking, requirement of permanent account number (PAN) etc. change in regulation of gold related savings schemes coupled with changing consumer preferences etc. impacts the overall operating performance of the sector. Further, sudden change in gold prices also impact the gold demand. The improvement in operating metrics are subjected to the improvement in realizations due to the rise in gold prices, significant reduction in employee cost and other operating overheads. Acuité believes that the company's business profile and financial profile can be adversely impacted on account of presence of stiff competition, any changes in regulations, changes in the commodity's price and has uncertainty over the sustainability of the operating margins in medium to long term period.

## Rating Sensitivities

### Positive

- Improvement in terms of sales volume and maintenance of operating margins.
- Sustainable improvement in Profitability, Leverage and Solvency position of the company.

### Negative

- Any deterioration in working capital cycle and liquidity profile of the company.
- Any deterioration in Revenue profile and leverage position of the company.
- Any weakening of financial risk profile of the company.

## Material covenants

None

## Liquidity Position: Adequate

The company's liquidity is healthy marked by modest generation of net cash accruals in FY 2022(Prov.) to its maturing debt obligations. The company has generated cash accruals in the range of Rs.35.80-48.21 Cr during last three years ending FY2022 as against its long term debt obligations of Rs.19.20-26.31 Cr for the same period. The company's working capital is intensive as evident from Gross Current Asset (GCA) of 165 days as on March 31, 2022(Prov.) as compared to 138 days as on March 31, 2021, majorly on account of holding huge portion of gold in inventory. The current ratio stood at 1.12 times as on March 31, 2022(Prov.) and the fund based limit remains utilised at 95 percent over the 12 months ended August 31, 2022. The company maintains unencumbered cash and bank balances of Rs.5.73 crore as on March 31, 2022(Prov.). Acuité believes that the liquidity of the company is likely to improve over the medium term on account of healthy cash accrual against repayments over the medium term.

## Outlook: Not applicable

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	1627.94	1288.52
PAT	Rs. Cr.	35.21	32.89
PAT Margin	(%)	2.16	2.55
Total Debt/Tangible Net Worth	Times	1.55	1.36
PBDIT/Interest	Times	2.92	2.72

## 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 Entitle: <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

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

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jun 2021	Cash Credit	Long Term	65.00	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	2.86	ACUITE A-   Stable (Assigned)
	Working Capital Term Loan	Long Term	47.80	ACUITE A-   Stable (Assigned)
	Working Capital Term Loan	Long Term	4.27	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	14.97	ACUITE A-   Stable (Assigned)
	Proposed Bank Facility	Long Term	25.10	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	165.00	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
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	165.00	ACUITE A-   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	65.00	ACUITE A-   Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	25.10	ACUITE A-   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	14.97	ACUITE A-   Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.86	ACUITE A-   Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	4.27	ACUITE A-   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	47.80	ACUITE A-   Reaffirmed & 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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