



Press Release

P N G A D G I L J E W E L L E R S L I M I T E D (E R S T W H I L E P N G A D G I L J E W E L L E R S P R I V A T E L I M I T E D)

November 06, 2023

Rating Reaffirmed

Product	Qtm(Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	335.50	ACUITE A- Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	45.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	380.50	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 380.50 crore bank facilities of P N Gadgil Jewellers Private Limited (PNGJ). The outlook is revised to '**Stable**' from '**Negative**'.

Reasons for Change in Outlook

The rating is reaffirmed and outlook revised on account of the improvement in operational and financial performance of PNGJPL along with reduction in exposure to group entities. PNGJPL generated Rs.4400 Cr in FY2023 as against Rs.2467 Cr in FY2022 on account of both improved volumes as well as price realizations.. However, the operating margins of the company stood at 2.92 percent in FY2023 as against 4.05 percent in FY2022. Also, the PAT margins stood at 1.26% in FY2023 as against 1.62% in FY2022. Nevertheless, the adjusted operating margin (excluding one time expense of investment write off of Rs.52 Cr) shown improvement in FY2023 at 4.11 percent as against 4.05 percent in FY2022. Also, the adjusted PAT margins shown improvement in FY2023 at 2.45 percent as against 1.62 percent in FY2022. PNGJ ceased its operations of Dubai based entity i.e., P N Gadgil Jewellers DMCC in FY2023 and wrote off its investment value of ~Rs. 52.13 Cr in the entity The reaffirmation also takes into account moderate financial risk profile. The gearing ratio of the company improved to 0.74 time as on 31 March 2023 as against 0.89 times as on 31 March 2022. Moreover, PNGJPL's exposure to group entities reduced in FY2023 with overall investment and advances given standing at Rs.81.61 Cr as on March 31, 2023, as against Rs.89.41 Cr as on March 31, 2022. After adjusting for the exposure towards the group companies, the adjusted gearing and TOL/TNW stood at 1.06 times and 2.37 times as on March 31, 2023 respectively as against 1.78 times and 4.54 times as on March 31, 2022 respectively. PNGJ's exposure towards its group companies improved to 118.91 Cr as on March 31, 2023 as against Rs.168.62 Cr as on March 31, 2022. The Company reduced its exposure to loans and advances, investment in share capital and also has certain amount of trade receivable due for more than six months from these group companies.

About the Company

P N Gadgil Jewellers Private Limited (PNG) is based of Pune, Maharashtra. The company is one of the oldest retailer of gold, silver, and diamond jewellery. The company was set up in 1832, later it was reconstituted in 2013 to private limited. Further, the company converted into limited company in 2017. The company is promoted by Mr. Saurabh Gadgil and Mr. Parag Gadgil, among others. The company is engaged in manufacturing and retailing of Gold

Jewellery, diamonds, and silverwares. PNG has 22 own retail stores and 12 franchisee stores in Maharashtra, Madhya Pradesh and Goa.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PNGJ to arrive at the rating.

Key Rating Drivers

Strengths

> Experienced management and establish track record of operation

PNGJ, has established track record of over ten decades of operations and is one of the biggest retail player in Maharashtra region. The brand (PNG) is well recognized, and the operations are currently promoted by Mr. Saurabh Gadgil, who possesses industry experience of over two decades, Mr. Parag Gadgil with an industry experience of over four decades and Mr. Vidyadhar Anant Gadgil with an industry experience of over five decades. PNGJ, has 22 retail outlets and 12 franchised stores across 3 states, primarily in Maharashtra. The company enjoys a strong market position backed by its long track record of over 100 years the business and wide customer base associated with it for generations. Further, the company has achieved operating income of Rs.4399.40 Cr in FY2023 as against Rs.2467.17 Cr in FY2022. The improvement in operating income in FY2023 was mainly on account of both improved volumes as well as price realizations. However, the operating margins shown some deterioration in FY2023 at 2.92 percent as against 4.05 percent in FY2022. The major reason being increase in the selling cost which includes one-time cost of 'Assets Write off' of Rs.52 Cr. The PAT margins also stood at 1.26 percent in FY2023 as against 1.62 percent in FY2022. Nevertheless, the adjusted operating margin (excluding one-time expense of Assets write off of Rs.52 Cr) shown improvement in FY2023 at 4.11 percent as against 4.05 percent in FY2022. Also, the adjusted PAT margins shown improvement in FY2023 at 2.45 percent as against 1.62 percent in FY2022. *N Gadgil Jewellers DMCC*, a Dubai based entity and a subsidiary company PNGJ ceased operating in FY2023. PNGJ wrote off its investment value of Rs. 52.13 Cr in the entity during the year.

Acuité believes that PNGJ will continue to benefit from its established market position over the medium term backed by its increasing network of stores.

> Moderate Financial risk profile

The financial risk profile continues to remain moderate marked by moderate net worth, gearing and debt protection measures. The tangible net worth stood at Rs.397.20 Cr as on March 31, 2023 as against Rs. 338.19 Cr as on March 31, 2022. The improvement in net worth is attributable to accretion of profits to reserves. The gearing stood moderate at 0.74 times as on March 31, 2023 as against 0.89 times as on March 31, 2022. The total borrowings stood at 295.22 Cr as on March 31, 2023 comprising of short term borrowings of Rs 166.71 Cr and term loan of Rs. 128.52 Cr. The net cash accruals stood at Rs.74.18 Cr for FY2023 as against debt repayment obligation of Rs. 19.60 Cr. The interest coverage ratio (ICR) stood at 4.07 times in FY2023 as against 3.39 times in FY2022. The total outside liabilities to tangible net worth stood at 1.66 times as on March 31, 2023 as against 2.28 times as on March 31, 2022.

Acuité believes that the financial risk profile of the company will continue to remain moderate over the medium to long term due to regular accretion to reserves and no major debt funded capital expenditures.

> Efficient Working capital nature of operations

The company's working capital operations are efficient marked by Gross Current Assets (GCA) of 65 days in FY2023 as against 124 days in FY2022. The GCA days are mainly dominated by inventory holding period which stood at 49 days in FY2023 as against 103 days in FY2022. Receivables period stood low during last three years ending FY2023, as the Company is engaged in retail sales only. The creditor days stood at 11 days in FY2023 as against 25 days in FY2022. The average credit period allowed by suppliers is 07-30 days. Further, the company's bank limit utilisation stood at ~90 percent for twelve months ended March, 2023.

Acuite expects the working capital management to remain efficient over the medium term on account of better management of receivables and inventory.

Weaknesses

> Revenue concentration risk

The company faces high store and geographic concentration risk. The company's total revenue is generated majorly from top 3 stores contributing to ~52 per cent of total revenue, all the top three stores are located in Pune, Maharashtra. Further, around 80% of the revenue earned in FY2023 comes from Mumbai, Pune and Goa. The high store concentration renders the revenue growth and profitability susceptible to the growth plans.

Acuite believes regional concentration of PNGJ store and increase in exposure of PNGJ towards the group entities will remain a key rating monitorable.

> Intense competition from other branded players in industry and susceptibility to regulatory framework

PNGJ remains exposed to the vulnerability of gold jewellery demand to gold price fluctuations. Further, increased regulatory intervention in jewellery industry in the recent years has impacted the demand and supply scenario in the industry. In the long term, regulatory measures such as hallmarking, the requirement of permanent account number, mandatory disclosure for purchases above threshold limits, restrictions on jewellery saving schemes, increase in import duty, and introduction of the sovereign gold bond schemes to shift consumer preference away from physical gold. The industry continues to remain exposed to regulatory interventions and gold price volatility, which would continue to impact the demand-supply scenario. Moreover, gold jewellery retailing is a highly fragmented segment, with the presence of large, organised players and numerous unorganised ones.

Rating Sensitivities

> Increase in group exposure leading to deterioration in the financial risk profile

> Improvement in margins, net cash accruals and liquidity profile

> Any further elongation in working capital leading to higher-than-expected reliance on external borrowings

All Covenants

Not Available

Liquidity Position

Adequate

The company's liquidity position is adequate marked by comfortable net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.31.18-74.18 Crore from FY 2021- 2023 against its maturing debt obligations in the range of Rs.19.60-22.67 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.146.60-181.17 crore against the maturing repayment obligations of around Rs.19.91-20.07 crore over the medium term. The working capital management of the company is efficient marked by GCA days of 65 days in FY2023 as against 124 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.11.28 crore as on March 31, 2023. The current ratio stands at 1.51 times as on March 31, 2023 as against 1.27 times as on March 31, 2022. The average bank limit utilization for the fund-based limits for past 12 months ending March 2023 is ~90 percent.

Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term.

Outlook: Stable

Acuite has revised the outlook of PNGJ to 'Stable' due to significant reduction in exposure to group entities which has released pressures on the debt protection indicators over near to medium term. The outlook may be revised to 'Negative' in case significant increase in exposure to group entities or deterioration of sales traction or profitability margins. Conversely, the outlook may be revised to 'positive' in case of further reduction in exposure to group entities, significant improvement operating income without deterioration in profitability margins and capital structure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	4399.40	2467.17
PAT	Rs. Cr.	55.29	40.04
PAT Margin	(%)	1.26	1.62
Total Debt/Tangible Net Worth	Times	0.74	0.89
PBDIT/Interest	Times	4.07	3.39

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <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
08 Aug 2022	Working Capital Term Loan	Long Term	10.52	ACUITE A- Negative (Reaffirmed)
	Working Capital Demand Loan	Long Term	50.00	ACUITE A- Negative (Reaffirmed)
	Term Loan	Long Term	25.89	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Negative (Reaffirmed)
	Term Loan	Long Term	2.39	ACUITE A- Negative (Reaffirmed)
	Term Loan	Long Term	45.42	ACUITE A- Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	75.32	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	12.46	ACUITE A- Negative (Reaffirmed)
	Proposed Bank Facility	Short Term	45.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	3.50	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE A- Negative (Reaffirmed)
04 Mar 2021	Term Loan	Long Term	6.39	ACUITE A- (Withdrawn)
	Working Capital Term Loan	Long Term	13.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	4.34	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	35.00	ACUITE A2+ (Withdrawn)
	Secured Overdraft	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	4.43	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- (Withdrawn)
	Bank Guarantee	Short Term	5.00	ACUITE A2+ (Withdrawn)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	35.83	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	39.03	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	27.67	ACUITE A- Stable (Reaffirmed)
		Short		

Bank Guarantee	Term	5.00	ACUITE A2+ (Withdrawn)
Proposed Bank Facility	Short Term	45.00	ACUITE A2+ (Withdrawn)
Cash Credit	Long Term	40.00	ACUITE A- Stable (Reaffirmed)
Working Capital Demand Loan	Long Term	65.00	ACUITE A- Stable (Reaffirmed)
Cash Credit	Long Term	3.50	ACUITE A- Stable (Reaffirmed)
Cash Credit	Long Term	55.00	ACUITE A- Stable (Reaffirmed)
Working Capital Term Loan	Long Term	5.70	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
Janata Sahakari Bank Ltd (Pune)	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A- Stable Reaffirmed Negative to Stable
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A- Stable Reaffirmed Negative to Stable
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A- Stable Reaffirmed Negative to Stable
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A- Stable Reaffirmed Negative to Stable
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	28.85	ACUITE A- Stable Reaffirmed Negative to Stable
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	24.43	ACUITE A- Stable Reaffirmed Negative to Stable
The Saraswat Cooperative Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.34	ACUITE A- Stable Reaffirmed Negative to Stable
Karnataka Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	57.59	ACUITE A- Stable Reaffirmed Negative to Stable

HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	50.00	ACUITE A- Stable Reaffirmed Negative to Stable
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	8.40	ACUITE A- Stable Reaffirmed Negative to Stable
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	6.89	ACUITE A- Stable Reaffirmed Negative to Stable

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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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