



Press Release

Shri Rathna Akshaya Estates Private Limited (SRAEPL)

September 18, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	531.08 (Enhanced from 447.54)	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Total	531.08 (Five Hundred Thirty-One Crore and Eight Lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings by Infomerics Ratings to the bank facilities of Shri Rathna Akshaya Estates Private Limited continues to factor in the track record of group and extensive experience of management, steady growth in operating revenues and moderate profitability and capital structure, established market position, approach towards mitigating price risk in a volatile gold and silver market. The rating is however constrained by working capital intensive nature of operation, modest debt coverage indicator, profitability exposed to volatility in raw material prices fluctuation, exposure to intense competition in the retailing industry, regulatory risks in the jewellery industry.

The stable outlook reflects the fact that the entity will continue to benefit from its track record of group and extensive experience of management and moderate scale of operation.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in total operating income EBITDA margins leading to improvement in debt protection metrics & capital structure with TOL/TNW of 1x.



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Downward Factors

- Significant decline in revenue and profitability leading to lower net cash accrual and deterioration in debt coverage indicators and/or any further stretch in operating cycle impacting the firm's liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Track record of group and extensive experience of management

Saravana stores has been in retail business for over more than four decades. Shri Rathna Akshaya Estates Private Limited is a part of Saravana Selvarathnam group, which is one of the largest family-owned enterprises in Tamil Nadu. Promoters also have extensive experience in the retail market and have wide reputation in entire corporate retail market segment. The "Saravana Selvarathnam Stores" has a wide brand presence in domestic and as well across country. The group targets low and middle-income customers. The company has strong procurement linkages owing to large scale of operations, and also commands pricing of cost-plus-nominal mark-up from manufacturer.

Steady growth in operating revenues and moderate profitability

The company's top line is on a steady increase with a growth rate of ~33% in FY24(Prov) on account of increase in traded goods sold. The company had achieved almost 55% of total sales from Jewellery segment and the balance 45% of total sales is from sales of textiles, furniture's, and households, electronics & other goods. The company has achieved total operating income of Rs 582.09 crore for FY24(Prov) (refers to period April 1st, 2023 to March 31st, 2024) and has improved over FY22 across the aforesaid parameters with the commencement of the commercial operations of third showroom at Pallavaram, Chennai due to which the EBITDA margin of the company stood increased to 14.17% in FY24 (Prov) as against 13.57% in FY23. Further, PAT margin continues to remain moderate at 3.06% in FY24 from 3.96% in FY23 due to increase in interest expense and depreciation. The company is



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actively enhancing its bottom line by focusing on product categories with higher margins, ensuring long-term sustainability.

Moderate capital structure

The Company capital structure remained moderate though improved as on March 31, 2024, marked by overall gearing at 1.36x as on March 31, 2024, improved as against 2.88x in FY23. The Company's Tangible Net Worth increased from Rs. 183.16 crore in FY23 to Rs. 320.59 crore in FY24, primarily due to an unsecured loan of Rs. 119.60 crore from promoters and directors. This loan has been subordinated to the bank and treated as quasi-equity. In FY25, the company plans to convert Rs. 57.41 crore of this loan into equity, comprising Rs. 47.66 crore as security premium and Rs. 9.75 crore as equity, in line with the bank's specified terms and conditions. Further, The total indebtedness of the company as reflected by TOL/TNW improved from 3.42x as on March 31, 2023, to 1.70x as on March 31, 2024.

Established market position

The company operates three jewellery showrooms, the retail stores are located at Madurai, Tirunelveli and Chennai in Tamilnadu and also engaged in textiles and readymade garments, footwear and cosmetics, household articles and electronic goods and mobile phones and provisions, vegetables, and fruits. The company also do advertise campaign, focusing on promoting each product portfolio. The company has a diversified customer base with exposure to jewellery manufacturers and retailers and other products. The strategic placement of the showrooms in prime locations in the densely populated heart of Tamilnadu ensures convenient access for the target customers. The Multiplex block and Family Entertainment Centre (FEC) at the Pallavaram showroom are currently works in progress, with plans to make them operational by the last quarter of the 2024-2025 financial year. This development will act as a catalyst for the property's growth.

Approach towards mitigating price risk in a volatile gold and silver market

To manage the daily price fluctuations in gold and silver, the company is aligning their purchases with the quantity of products sold, thereby mitigating the inherent price risk. In a volatile market where gold and silver prices can fluctuate significantly from one day to the next,



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this strategy reflects the company's adaptability to minimize potential financial exposure. By purchasing in line with their sales volume, the company is enhancing their ability to stabilize costs and protect their profitability. This approach will safeguard their financial health.

Key Rating Weaknesses

Working capital intensive nature of operation

Being in retail business, the company is into working capital-intensive nature of operation, indicated by its higher inventory period. The inventory period are up to 8 months due to retail nature of business. On sale collection are based on upfront cash basis. Above all the operating cycle stood at 186 days in FY24. The average utilization of working capital of the firm for last twelve month remained 85 % for the last month ended July 2024.

Modest debt coverage Indicator

The debt coverage indicators marked by total debt to GCA stood modest 13.21x in FY24 improved as against 17.28x FY23 led by treatment of unsecured loan as quasi equity. The Interest coverage ratio moderated and stood at 1.73x in FY24 against 2.13x in FY23 led by increase in interest cost.

Profitability exposed to volatility in raw material prices fluctuation

The prices of the raw material i.e. gold, silver, diamond and other products are inherently volatile and are driven largely by local demand and supply conditions. Any wide fluctuation in the price of its key raw material and inability to timely pass on the complete increase in the prices to its customers is affecting the company's profitability margins.

Exposure to intense competition in the retailing industry

The company has shopping complexes on the high streets of Madurai, Tirunelveli and Chennai, which are flooded with small and large players in the same line of business. It faces intense competition in terms of product quality and pricing, which leads to continuous pricing pressure, affecting its margins.



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Regulatory risks in the jewellery industry

Gold is an important commodity traded in the international market, so trading in gold and gold Jewellery is highly influenced by several government policies and regulations, which changes from time to time.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Criteria of assigning rating outlook](#)

[Policy on Default recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

Shri Rathna Akshaya Estates Private Limited liquidity remains adequate as evidenced by the company's working capital utilization which stood at an average of ~ 85% against sanctioned limits for the last 12-month period till July 2024. For FY24 the Company's GCA post interest stood at Rs. 33.08 Crore while its current portion of long-term debt stood at Rs. 26.28 Crore. Cash & cash equivalent as on 31st March 2024 stood at Rs. 10.14 Crore. Overall Gearing ratio on Adjusted Tangible Net Worth stood at 2.77 times and current ratio stood at 1.16 times as on 31st March 2024.

About the Company

SRAEPL was established in the year 2014 to capitalise on the brand value of the Saravana group. SRAEPL was promoted in the name of second daughter of Mr. Selva Rathnam Saravana Arul. The expansion of the company was done to meet the demands and requirements of the established and loyal customers of the group. The company is engaged in trading of gold, silver and diamond ornaments, textiles and readymade garments, footwear and cosmetics, household articles and electronic goods and mobile phones and provisions, vegetables, and fruits. The retail stores are located at Madurai, Tirunelveli and Chennai in Tamil Nadu.



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Financials (Standalone):

For the year ended/ As on*	31-03-2023	(Rs. crore) 31-03-2024
	Audited	Provisional
Total Operating Income	438.87	582.09
EBITDA	59.56	82.47
PAT	17.38	17.84
Total Debt	527.61	437.07
Tangible Net Worth	183.16	320.59
EBITDA Margin (%)	13.57	14.17
PAT Margin (%)	3.96	3.06
Overall Gearing Ratio (x)	2.88	1.36
Interest Coverage (x)	2.13	1.73

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Jun 19, 2023	June 22, 2022	March 23, 2021
1.	Term Loan	Long Term	201.08	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+; Credit Watch with Developing Implications	IVR BBB+; Credit Watch with Developing Implications
2.	Cash Credit	Long Term	330.00	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+; Credit Watch with Developing Implications	IVR BBB+; Credit Watch with Developing Implications



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Analytical Contacts:

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Upto January 2039	201.08	IVR BBB+/Stable
Cash Credit	-	-	-	Revolving	330.00	IVR BBB+/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Shri-Rathna-Akshaya-18sept24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.