



## Press Release

**Hari Prasad Gopi Krishna Saraf Private Limited (HPGKSPL)**

**February 23, 2024**

### Ratings

<b>Facilities / Instrument</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b>Complexity Indicator</b>
Long term bank facility	90.00	IVR BBB+/Stable and Withdrawn (IVR Triple B Plus with Stable outlook and Withdrawn)	Reaffirmed and withdrawn *	Simple
<b>Total</b>	<b>90.00 (Rupees Ninety Crore only)</b>			

\* The above action has been taken at the request of HPGKSPL and 'No Objection Certificate' received from the bank who have extended the facilities which is rated by Infomerics and 'it is in line with Infomerics' policy of Withdrawal of the rating'.

### Details of Facilities are in Annexure 1

### Detailed Rationale

Infomerics Valuation and Rating Private Limited has reaffirmed the ratings assigned to the bank facilities of HPGKSPL at IVR BBB+/ Stable, and simultaneously withdrawn the ratings with immediate effect. The above action has been taken at the request of HPGKSPL and 'No Objection Certificate' received from the bank who has extended the facilities, and which is rated by Infomerics.

The rating is withdrawn in accordance with Infomerics' policy on withdrawal of rating. The reaffirmation of the ratings to the bank facilities of HPGKSPL derives strength from substantial improvement in total operating income; albeit slight declined in EBITDA margins, comfortable debt protection metrics and capital structure, long standing presence along with reputed brand and experienced promoters. The ratings are, however, constrained by high geographical concentration risk, susceptibility of margins to volatility in the price of gold and exposure to regulatory risks and presence in a highly competitive and fragmented industry.

**Key Rating Sensitivities:** Not applicable as ratings withdrawn.



## Press Release

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Substantial improvement in total operating income; albeit slight declined in EBITDA margins**

HPGKSPL's total operating income has increased to Rs.1,085.99 crore in FY23 a growth of 12.39% as compared to FY22 mainly on account of increase in sales of all types of gold and diamond jewellery and also due to increase in realisation of gold and diamond jewellery. HPGKSPL has reported total operating income of Rs.608.61 crore in H1FY24 with increase in sales of all types of gold and diamond jewellery, total operating income is expected to increase further with stable demand and upcoming additions of showrooms during FY24 and FY25. EBITDA margin has declined though remained comfortable and at 8.55% in FY23 (PY: 9.10%), mainly on account of increase in employee cost due to recruitment of professionals and restructuring of departments and there was increase in administrative expenses, which mainly included various ancillary costs associated with the establishment and operationalization of new showrooms, including but not limited to leasing agreements, regulatory approvals, staffing, and marketing activities. EBITDA margin has further improved to 10.58% in H1FY24 with increase in quantity of all types of gold and diamond jewellery.

- **Comfortable debt protection metrics and capital structure**

Overall gearing ratio and TOL/TNW have improved to 0.47x and 0.82x respectively in FY23 (P.Y.: 0.76x and 1.15x), due to decrease in unsecured loans from related parties to Rs.2.12 crore in FY23 against Rs.57.63 crore in FY22. The debt protection metrics marked by interest coverage marginally deteriorated and stood at comfortable levels at 8.69x in FY23 (P.Y.: 9.61x), due to higher interest expenses. Total debt/GCA has marginally improved to 1.43x in FY23 (P.Y.: 1.59x), mainly on account of decreased in total debt in FY23.

- **Long standing presence along with reputed brand**

The Hari Prasad Gopi Krishna Saraf Group has been in the gems and jewellery business since 1940. Over the past eight decades, it has developed a strong market position as a



## Press Release

jewellery retailer in Uttar Pradesh. The company sells jewellery under the brand name as 'Aisshpra'. The goodwill of the brand in eastern India also strengthens the group's market standing.

- **Experienced promoters**

HPGKSPL was incorporated in the year 2007 by Mr. Atul Saraf, Mr. Anoop Saraf, Mr. Vaibhav Saraf and Mr. Saumitra Saraf. Mr. Saumitra Saraf (Managing Director) has 8 year of experience, Mr. Atul Saraf has more than four decades of experience, Mr. Anoop Saraf has three decades of experience and Mr. Vaibhav Saraf has one decade of experience in gems and jewellery industry. All the promoters are actively involved in the overall operations of the company. By virtue of the vast experience of the promoters, HPGKSPL has long standing relations with its customers and suppliers.

### Key Rating Weaknesses

- **High geographical concentration risk**

The jewellery segment of the HPGSPL has 11 showrooms located in different areas of Uttar Pradesh. The company is primarily a regional player, with presence limited to Uttar Pradesh, which exposes it to significant geographical concentration risk.

- **Susceptibility of margins to volatility in the price of gold and exposure to regulatory risks**

The prices of the raw material i.e. gold, silver, diamond 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. 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.

- **Presence in a highly competitive and fragmented industry**

The gems and jewellery (G&J) industry in India is highly fragmented with the presence of numerous unorganized players in addition to the large integrated G&J manufacturers



## Press Release

leading to a high level of competition. The export-oriented G&J industry is susceptible to various guidelines by Government of India, change in taxation structure, impacting the industry.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Policy on Default Recognition](#)

[Rating Methodology for trading companies](#)

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

[Criteria of assigning rating outlook](#)

[Policy on withdrawal of Ratings](#)

**Liquidity: Adequate**

The liquidity of HPGKSPL remains adequate marked by the sufficient cash accruals as against minimal long-term debt repayment obligations in FY24 and nil repayment obligations during FY25 and FY26. With no major capex and repayment obligations likely to be low as against the envisaged cash accruals, the liquidity is expected to remain adequate through FY24-FY26. The free cash and cash equivalents balance stood at Rs.2.18 crore as on March 31, 2023, while average working capital utilisation for the 12 months ended December 2023 remained moderate at ~50%. Current ratio stood at 1.84x as on March 31, 2023.

**About the Company**

Hari Prasad Gopi Krishna Saraf Private Limited (HPGKSPL) was incorporated in the year 2007 by Mr. Atul Saraf, Mr. Anoop Saraf, Mr. Vaibhav Saraf and Mr. Saumitra Saraf. HPGKSPL is engaged in retail business of gold and diamond jewellery. HPGKSPL is a part of Hari Prasad Gopi Krishna Saraf Group.

**Financials (Standalone):**

	(Rs. crore)	
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	966.94	1085.99



## Press Release

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
EBITDA	88.00	92.89
PAT	68.63	69.61
Total Debt	110.66	101.27
Tangible Networkth	145.65	215.29
<b>Ratios</b>		
EBITDA Margin (%)	9.10	8.55
PAT Margin (%)	7.00	6.32
Overall Gearing Ratio (x)	0.76	0.47

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

S r. N o.	Name of Instrument/F acilities	Current Ratings (Year 2023- 24)			Rating History for the past 3 years		
		Type	Amou nt outsta nding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (December 6, 2022)	Date(s) & Rating( s) assign ed in 2021- 22	Date(s) & Rating( s) assigne d in 2020-21
1.	Long term bank facility	Long Term	90.00	IVR BBB+/ Stable and Withdrawn	IVR BBB+/ Stable	-	-

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About Infomerics:



## Press Release

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities / Instruments

Name of Facility / Instruments	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long term bank facility	-	-	-	90.00	IVR BBB+/ Stable and Withdrawn

**Annexure 2: List of companies considered for consolidated analysis:** Not applicable

**Annexure 3: Facility wise lender details:** Not applicable



## Press Release

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** 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](http://www.infomerics.com).