



Press Release

Prince Gold and Diamonds India Private Limited **June 16, 2023**

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facility	235.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	235.00	Rupees Two Hundred and Thirty Five Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Prince Gold and Diamonds India Private Limited (PGDIPL) reflects in the promoter's experience in jewellery business catering to a diversified clientele base, established track record of operation, with a moderate scale of operation and profitability.

The rating however is constrained by the working capital intensive nature of business resulting in modest debt coverage indicator, and the profitability dependent upon volatility in the raw material prices, inherent competitive nature of the jewellery retail industry and regulatory risks in the jewellery industry.

Key Rating Sensitivities:

Upward Factors:

- Maintain its EBITDA margin of 7-8% on a sustained basis.
- Improve the scale of operations with a capital structure marked by overall gearing below 1x and a comfortable debt protection marked by total debt to GCA below 8x on a sustained basis.

Downward Factors:

- Decline in the operating income below that of FY23 provisional levels
- Profitability margin or debt protection metrics below threshold limits.



Press Release

- Any elongation in working cycle which impacts liquidity indicator fall below unity.

Key Rating Drivers with detailed description

Key Rating Strengths :

Experienced promoter in related field of operation with diversified clientele base

Prince Gold and Diamonds India Private Limited was promoted by Mr. Princeson Jose, Ms. Sheeba Prince and two others with a motive to set up jewellery business. The promoters of the company have more than four decades of industry experience in the jewellery field. Mr. Princeson Jose, a commerce graduate is involved in financial and technical aspects of the business while Ms. Sheeba Prince one of the key Directors of the company looks after the day to day operations. Mr. Vishnu S who is a Company Secretary is the a key managerial person of the company.

The company procures raw materials from the major suppliers located within the state of Tamil Nadu and caters to a diversified clientele base across the region.

Established track record of operation

Tamil Nadu based PGDIPL was established in September 2006. The company is promoted by Mr. Princeson Jose, Ms. Sheeba Prince along with two others. The company is engaged in retailing of gold, diamonds, silver and other jewellery items. Further, the company's presence over the years have developed established relationship with the supplier and clientele base.

Moderate scale of operation and profitability

The company's total operating income (TOI) stood at Rs.645.05 crore in FY20, had declined during FY21 and FY22 to Rs. 410 Crore and Rs.464 Crore on account of -subdued demand for product owing to nationwide lockdown affected by covid-19 impact during FY21, which marginally improved during FY22 along with favourable market conditions The company's total operating income has reverted to its pre covid levels of Rs. 651 crore in FY23(Prov.).

The company's profitability margin marked by EBITDA margin stood at 4.73% in FY20 and increased to 8.09% in FY21 due to lower volume of raw material price consumption caused by the COVID-19 outbreak. However, post COVID the EBITDA margin was maintained in the range of 4%-5% in FY22 and FY23(Prov.) respectively.



Press Release

Satisfactory capital structure

The financial risk profile marked by overall gearing of PGDIPL stood satisfactory during the review period and stood in the range to 1.71x-2.03x on account of accretion of profit and healthy tangible net worth base as on balance sheet date.

Key Rating Weaknesses:

Working capital intensive nature of operation

Being in jewellery business with work associated towards retailing of gold, diamond, platinum jewellery etc., company operates in working capital intensive nature of business. The inventory (raw material such as gold, diamonds etc) is stocked up to 15 months. The credit terms with supplier remained comfortable attributed by healthy relationship. The payments to the suppliers are settled with-in 30 days while the collection on day to day basis. Despite comfortable collection period, the continuous and higher quantum of orders from customers, led the company to rely on the working capital borrowings to some extent. The average utilisation of working capital facility is utilised at 98% for the past twelve months ended April 2023.

Modest debt coverage Indicator

The company's debt profile comprises of unsecured loans from related parties and working capital borrowings.

The company debt profile comprises of working capital borrowing and Gold metal loan which is utilised for their operational purpose.

The debt coverage indicators marked by total debt to GCA stood at 25.36x in FY20 and marginally moderated to 17.78x in FY21 due to decrease in total debt level in absolute terms. However, with lower cash accruals the ratio marginally declined to 20.41x in FY22. The interest coverage ratio remained satisfactory and stood in the range of 1.36x-1.71x on account of moderation in operational profit in absolute terms.

Profitability exposed to volatility in raw material prices fluctuation

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. Further, the PAT margin fluctuated in the range



Press Release

of 0.60%-2.52% during the review period due to variation in interest expense and depreciation cost.

Intense competition in the jewellery retail industry

The jewellery industry in India is highly fragmented with presence of numerous unorganised players, apart from some very large integrated Gold and Jewellery manufacturers leading to high competitive intensity. The firm faces stiff competition from both organised as well as unorganised players. The industry players have to continuously offer new designs and innovative marketing practices to attract and retain customers.

Regulatory risks in the jewellery industry

Gold is an important commodity traded in the international market, so trading in gold and gold jewelry 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](#)

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

[Criteria for rating outlook](#)

About the Company:

Chennai based Prince Gold and Diamonds India Private Limited(PGDIPL) incorporated in 2006. The company had initially commenced its operation as proprietorship in 1983 later converted into Private Limited company. The company is promoted by Mr. Princeson Jose who has over four and a half decades of experience in Jewelry industry. The company is currently operating through six showrooms located in Tamil Nadu, Bengaluru and Kerala respectively.

Financials: Standalone

For the year ended / INR. Crore*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	409.82	464.21
EBITDA	36.09	32.28



Press Release

PAT	10.38	8.47
Total Debt	231.34	241.01
Tangible Net Worth	131.46	141.04
Ratios		
EBITDA Margin (%)	8.81	6.95
PAT Margin (%)	2.52	1.82
Overall Gearing Ratio (x)	1.76	1.71

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: BWR vide its press release dated May 25, 2023, has classified the case under Issuer Not Co-operating category and had assigned rating BWR BB+/Stable ;Issuer Not Cooperating and BWR A4+;Issuer Not Cooperating on account of non-submission of relevant information.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	235.00	IVR BBB-/Stable	-	-	-

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About Infomerics:

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



Press Release

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.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	-	-	-	235.00	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Princegold-jun23.pdf>



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

