

October 07, 2022

## Punjab Retail Private Limited: Rating upgraded

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based-Cash Credit	48	48	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB(Stable)
Total	48	48	

\*Instrument details are provided in Annexure-1

### Rationale

The rating upgrade factors in the significant improvement in Punjab Retail Private Limited's (PRPL) financial performance in FY2022, with its liquidity and debt coverage indicators likely to remain healthy in FY2023. In FY2022, the revenue growth of 25% was primarily driven by an increase in volumes. Moreover, the debt coverage indicators remained strong with an interest coverage and TOL/TNW of 9.06 times and 0.32 times, respectively, in FY2022. PRPL's liquidity remains comfortable with adequate cushion in fund-based limits. In the current year, the company has booked Rs. 173 crore of revenues till September 20, 2022 and expects to achieve close to Rs. 400 crore in the full year. The debt coverage indicators would continue to remain healthy, aided by comfortable operating margins and lower utilisation of working capital limits. The rating factors in the extensive experience of PRPL's promoters in the gold jewellery retail business in Indore and Bhopal. Further, the rating notes the strong brand presence of the Punjab Jewels brand in the region and steady ramp-up of revenues from most of the stores over the years.

The rating, however, remains constrained by geographical concentration as PRPL's all the five showrooms are located in only two cities, i.e., Bhopal and Indore. Besides, PRPL remains exposed to regulatory risks arising from changes in Government policies. It faces intense competition in the industry from organised and unorganised players. The rating is further constrained by the high inventory levels maintained by the company, which led to working capital-intensive nature of operations.

The Stable outlook on the [ICRA]BBB+ rating reflects that PRPL will continue to leverage its brand presence in Madhya Pradesh and the experience of its promoters to further expand its scale, going forward.

### Key rating drivers and their description

#### Credit strengths

**Healthy improvement in revenues in FY2022** – The company's revenues witnessed a healthy improvement in FY2022, primarily driven by favourable growth in volumes. The momentum is expected to continue in the current fiscal as well. The debt coverage indicators also remained healthy with an interest coverage and TOL/TNW of 9.06 times and 0.32 times, respectively, in FY2022.

**Extensive experience of the promoters** – The promoters have extensive experience in the jewellery retail business in Indore. Mr. Harbhajan Anand (Chairman) has more than five decades of experience in the retail jewellery business, while Mr. Darpan Anand has more than two decades of experience.

**Strong brand presence** – The company has been promoting its products through various verticals, which resulted in a good brand presence in Indore and Bhopal. PRPL's top line has seen a healthy growth during FY2015–FY2022 at Rs. 310 crore and it has gradually opened five showrooms.

## Credit challenges

**High geographical concentration risk and intense competition** – The company is exposed to high geographical concentration risk with five stores across Indore and Bhopal. Nonetheless, its brand presence has remained strong in the region. Moreover, it faces stiff competition in both these cities from several organised and unorganised players.

**Exposure to regulatory risks due to changes in Government policies** – Various policy changes like mandatory PAN card disclosure beyond a certain threshold, imposition of Goods and Service Tax (GST), levy of import duty on gold, etc, along with exposure to unexpected change of events, have been impacting PRPL's performance. The company is also exposed to stiff competition from several players in the vicinity.

**High working capital intensity of operations** – The company's highly working capital intensive operations may be attributed to its elevated inventory position.

### Liquidity position: Adequate

PRPL's liquidity is **adequate** with cushion in the working capital limits of ~Rs. 30 crore as of August 2022. Moreover, the company has limited long-term repayments and nominal capex plans against healthy cash flow from operations.

## Rating sensitivities

**Positive factors** – The rating may be upgraded if there is a substantial improvement in revenues driven by diversification in geographical base while maintaining strong profitability, going forward, resulting in comfortable debt protection metrics and healthy liquidity.

**Negative factors** – The rating may be downgraded if a material decline in revenues or operating margins, on a sustained basis, weakens its debt coverage indicators. Further, weakening of the company's liquidity position because of a deterioration in the working capital intensity, or interest coverage below 4 times, on a consistent basis, could result in a rating downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	None
Consolidation/Standalone	Standalone

## About the company

Promoted by the Anand family of Indore in the 1950s, PRPL is involved in retailing of gold, diamond and studded jewellery in Indore and Bhopal under its brand, Punjab Jewels. After opening the last store in Indore in April 2013, the company now operates three retail showrooms in Indore and two in Bhopal. The family business is now looked after by Mr. Darpan Anand.

### Key financial indicators

Consolidated	FY2021(A)	FY2022(P)
Operating Income (Rs. crore)	249.23	310.53
PAT (Rs. crore)	28.37	19.52
OPBDIT/OI (%)	17.13%	9.78%
PAT/OI (%)	11.38%	6.29%
Total Outside Liabilities/Tangible Net Worth (times)	0.36	0.32
Total Debt/OPBDIT (times)	0.92	1.30
Interest Coverage (times)	11.83	9.06

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; A-Audited, P-Provisional

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: None**

### Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31,2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					October 07,2022			
1	Fund based-Cash credit	Long term	48	-	[ICRA]BBB+(Stable)	[ICRA]BBB(Stable)	[ICRA]BBB-(Stable)	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based-Cash credit	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based-cash credit	-	-	-	48	[ICRA]BBB+(Stable)

Source: Company

### Annexure-2: List of entities considered for consolidated analysis

Not Applicable

## ANALYST CONTACTS

**Jayanta Roy**

91-33-71501100

[jayanta@icraindia.com](mailto:jayanta@icraindia.com)

**Sumit Jhunhunwala**

91-33- 7150 1111

[sumit.jhunhunwala@icraindia.com](mailto:sumit.jhunhunwala@icraindia.com)

**Priyesh Ruparelia**

91-22- 61693328

[priyesh.ruparelia@icraindia.com](mailto:priyesh.ruparelia@icraindia.com)

**Gaurav Singla**

91-124- 4545366

[gaurav.singla@icraindia.com](mailto:gaurav.singla@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.