February 20, 2025

# GRT Silverwares: Long-term rating upgraded and short-term rating reaffirmed

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|---|---|---|
| Long-term/short-term – Fund-based Working Capital Facilities | 5.00 | 5.00 | [ICRA]AA (Stable)/ [ICRA]A1+; long-term rating upgraded from [ICRA]AA- (Stable) and short-term rating reaffirmed |
| Long-term – Fund Based - Term Loans | 20.44 | 16.11 | [ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable) |
| Long-term/Short-term – Unallocated | - | 4.33 | [ICRA]AA (Stable)/ [ICRA]A1+; long-term rating upgraded from [ICRA]AA- (Stable) and short-term rating reaffirmed |
| **Total** | **25.44** | **25.44** | |

*Instrument details are provided in Annexure I*

## Rationale

While arriving at the ratings, ICRA has taken a consolidated view of GRT Jewellers (India) Private Limited (GRTJIPL) and its subsidiaries along with three other Group entities – G.R. Thanga Maligai Firm (GRT Firm), G.R. Thanga Maligai & Sons (GRT Sons) and GRT Silverwares (GRTSW), collectively referred to as the GRT Group, given the significant operational, managerial and financial linkages among them.

The rating action considers the healthy performance of the Group in FY2025 (estimated [e]), marked by a strong growth in revenues, earnings and improvement in debt protection metrics and expectation that its credit profile will remain stable in the near-to-medium term. The Group's business profile remains strong, as characterised by its position as one of the largest jewellery retailers in India and dominant market share in Tamil Nadu, strong brand equity driving footfalls and stock rotations, hedging practices, stable income from the renewable energy (RE) segment etc. Also, increasing shift from unorganised to organised trade in gold jewellery retail industry is a long-term positive for GRT with its rising focus on Tier-2/3 markets in the recent years. The rating action also considers the significant reduction in GRTJIPL's contingent liabilities (as of March 2024) following revocation of income tax (IT) demand of ~Rs. 2,002 crore. In FY2023, it received IT demand notices aggregating to ~Rs. 2,290 crore (of which Rs. 2,002 crore was pertaining to AY2015-16). ICRA notes that GRTJIPL has appealed against the balance IT demands for ~Rs. 288 crore and the resolution for same is pending, and this will be a key monitorable.

In 8M FY2025, the Group's revenue rose by ~10% on a YoY basis, supported by improved realisation, and the operating margins expanded by ~100 bps on the back of pricing related benefits, revision in the terms of jewellery purchase schemes and gains on unhedged portion of gold inventory. It also incurred a one-time loss during this period on inventory hedged through gold metal loans (GML) on account of a reduction in the customs duty on gold imports from 15% to 6% in July 2024. However, the impact was minimised by the initiatives taken by the company as mentioned above. Utilisation of low-cost fixed deposit-backed GMLs to fund a large portion of its inventory limits its interest costs while providing a natural hedge against volatility in gold prices. Also, significant interest earned on deposits (covering its interest expenses) strengthens the net profit.

The ratings, however, remain constrained by the high geographical concentration of revenues in the south Indian market with Tamil Nadu accounting for more than 70% of revenues in the last five years. The ratings also consider the vulnerability of revenues and earnings to competition and regulatory risks, inherent to the industry. The ratings also consider the risk of capital withdrawal from the partnership firms and investments by the Group in other business interests of the promoters, which could adversely impact the capital structure and liquidity position of the Group. Nevertheless, such risks are likely to be mitigated by the management's initiatives to strengthen corporate governance and plans to simplify Group structure in the near term.

Besides jewellery retail operations, the Group has sizeable RE capacity comprising ~518 MW (DC) solar plants (including 20 MW installed in FY2025) and ~20 MW windmills as on date, with most of the power plants having long-term power purchase agreements (PPAs) with Solar Energy Corporation of India Limited (SECI) and state-owned distributions companies (discoms) in Tamil Nadu, Andhra Pradesh, Karnataka and Gujarat. It is installing an additional solar power capacity of ~220 MW (DC) in Tamil Nadu, likely to be commissioned within a year, for which a long-term PPA has already been signed with SJVN. Steady income from the RE segment and significant income tax benefits support the Group's cash flows.

The Group's ongoing investments in warehousing, ethanol manufacturing and hotel resort project in Maldives would entail sizeable capex in the next 3-4 years, while exposing the Group to project execution risks. The cumulative expense towards the planned non-jewellery projects (including solar power plants) are estimated at ~Rs. 2,800 crore, to be made within FY2028. Around 60% of the combined non-jewellery capex would be funded by debt. While this will increase the Group's leverage levels, healthy cash accruals from jewellery and RE segments would offset the moderation in debt metrics. Successful commissioning of projects without any major cost and time over-run, tie-up of requisite debt and achievement of projected operating parameters, post commissioning, would remain under monitoring.

The Stable outlook on the long-term rating reflects ICRA's expectations that the Group will continue to maintain healthy earnings, comfortable capital structure and coverage metrics over the medium term, notwithstanding the risks related to sizeable capex and unrelated diversification. The GRT Group's planned expansion of jewellery business outside south India is likely to improve its geographical diversification.

## Key rating drivers and their description

### Credit strengths

**Established market position and strong brand equity in south India –** The GRT Group is one of the leading players in the domestic jewellery retail industry with a focussed presence in the south Indian market. It maintains a dominant market position in Tamil Nadu and enjoys a strong brand equity among the customers in that region, supported by its six-decade long presence in the industry and extensive experience of the promoters. The Group operates a network of 60 jewellery retail showrooms across Tamil Nadu, Andhra Pradesh, Telangana, Karnataka and Puducherry. The promoter's vast experience, GRT's strong brand equity and conservative gold sourcing and hedging strategies support its business profile.

**Favourable growth prospects for organised jewellery retailers –** Increasing regulations in the jewellery retail industry, aimed at improving transparency and standardisation over the recent years, have accelerated the shift in the market share from unorganised to organised players. The industry tailwind is expected to benefit the organised jewellery retailers (including GRT) over the medium term, supported by its established market position with a loyal customer base and increasing retail presence. The customs duty cut by 9%, from 15%, in July 2024 is expected to disincentivise unofficial imports, thus benefiting the organised players.

**Comfortable financial risk profile, supported by healthy earnings, low cost of fund and strong financial flexibility –** The Group's financial risk profile remains healthy, characterised by its sizeable profits and cash accruals, supported to an extent by healthy interest earned on the sizeable value of fixed deposits (~Rs. 6,209 crore as on March 31, 2024) and low cost of funds (~3.25% on an average in FY2024) as the debt profile is dominated by FD-backed GMLs with low interest rates. While the operating margins remain constrained because of low share of high-margin studded jewellery and intense competition, the Group's demonstrated ability to maintain a healthy inventory turnover and mobilise customer advances through jewellery purchase schemes limit its working capital requirement and interest expenses. The management's initiatives to rationalise the benefits offered to customers under its jewellery purchase schemes have positively impacted the Group's operating margin in the current fiscal. ICRA expects the Group's coverage indicators to remain comfortable, going forward, despite large investment plans. Moreover, the Group's healthy net worth, limited long-term borrowings (despite debt-funded capex planned) and established market position are likely to keep its financial flexibility strong.

### Credit challenges

**High geographical concentration of revenue and limited product diversification –** The GRT Group has derived more than 70% of its overall revenue from Tamil Nadu over the last five years, with more than 40% from the Chennai market alone, which reflects high geographical concentration of revenues. The revenue contribution from Chennai has reduced from ~70% in FY2015 due to its increasing presence in tier-II and tier-III markets in Tamil Nadu to capitalise on the established brand name. The combined share of Andhra Pradesh, Telangana and Karnataka markets in the Group's jewellery sales is ~25%, increasing from 20% in FY2020. Historically, the Group remained conservative in its future store expansion plans and focused on the south Indian market. High geographical concentration of revenue exposes the Group's revenue and profitability to disruption from any localised event. The Group's presence only in the south Indian market also translated into a low share of high-margin studded jewellery in the product mix owing to the region's preference for plain gold jewellery, which constrained the Group's operating margins. However, it plans to expand jewellery retailing business in other regions of the country, going forward, and is foraying into non-jewellery segments to diversify the overall business profile.

**Intense competition and fragmented nature of the industry limit pricing flexibility –** The jewellery retail business is highly fragmented and is exposed to intense competition from organised and unorganised players. These limit the retailers' pricing flexibility to an extent, though mitigated by an established brand of organised players like GRT.

**Exposed to regulatory risks and seasonality in demand –** The domestic jewellery retail industry remains exposed to the risks arising from the evolving regulatory landscape, which could have an adverse impact on the Group's business. Mandatory PAN disclosure on transactions above a threshold limit, imposition of GST and demonetisation are some regulations that impacted demand and supply in the past. Revenues and cash flows of the jewellery players are also exposed to volatility in gold prices and seasonality in demand, based on the numbers of auspicious days, festivals, crop harvest etc.

## Liquidity position: Adequate

The GRT Group's liquidity remains adequate, characterised by sizeable free cash and liquid investments (Rs. 520 crore as on March 31, 2024) and buffer from unutilised working capital facilities (~Rs. 282 crore as on September 30, 2024). The Group is expected to generate fund flow from operations of more than Rs. 1,000 crore per annum over the medium term against which it will have annual debt repayment obligation of Rs. 100-125 crore (excluding lease liabilities) till FY2027. Sizeable interest earned on fixed deposits, against which the Group avails GMLs, supports the liquidity position. The Group's overall capex during FY2025-FY2028 is estimated at ~Rs. 3,000 crore, out of which ~90% cash outlay will be towards non-jewellery segments. Nearly 60% of the planned capex is to be funded by debt. The internal funding requirement for the capex will remain in the range of Rs. 500-600 crore per annum in FY2025 and FY2026, which is likely to be comfortably met from healthy internal accruals. ICRA notes the Group's strong financial flexibility owing to its large scale of operations and strong market position, which enable it to raise additional fund at a short notice.

## Rating sensitivities

**Positive factors –** The long-term rating could be upgraded in case of a substantial and sustained growth in the Group's profitability, strengthening debt coverage metrics and liquidity, along with improvement of geographical and product diversification of its revenue. The Group's ability to execute the ongoing projects within the expected timeframe and budgeted cost and ramp up revenues post commissioning would also remain important for an upward rating movement. Materialisation of the Group's plans to improve its governance practices and refine the corporate structure, in line with the increasing scale and business diversity, would be considered positively.

**Negative factors –** Pressure on the ratings could arise in case of a sustained deterioration in the operating performance or working capital cycle of the Group or unfavourable regulatory developments, adversely impacting the coverage indicators and liquidity position. Any large capital withdrawal or higher-than-expected debt-funded capital expenditure, weakening the capital structure and liquidity, could also put pressure on the ratings. Specific credit metrics that could result in ratings downgrade include an interest coverage below 4.5 times on a sustained basis.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>Jewellery - Retail<br>Power - Solar |
| **Parent/Group support** | Not applicable |
| **Consolidation/Standalone** | For arriving at the ratings, ICRA has consolidated the financials of GRTJIPL, along with its subsidiaries, a step-down subsidiary and three other ICRA-rated Group entities (GRT Firm, GRT Sons and GRT SW), as per details given in Annexure II. |

## About the company

G. R. Thanga Maligai Group (GRT Group) is a closely held group of entities with presence in jewellery retailing, hospitality and renewable energy sectors. The Group has recently forayed into warehousing and is setting up a plant to produce grain-based ethanol. It has an established presence in the jewellery retail industry of south India. Its jewellery and renewable energy operations are grouped under four main entities – GRTJIPL, a private limited company, and three partnership firms – GRT Firm, GRT Sons and GRTSW. The Group has 60 jewellery retail stores across Tamil Nadu, Karnataka, Andhra Pradesh, Telangana and Puducherry. GRT also operates a single jewellery retail showroom in Singapore through a wholly-owned subsidiary. The Group also had international jewellery retailing operations in Malaysia and Dubai, both of which have been shut down during the pandemic. The Group's warehousing, ethanol production and hospitality (Maldives) ventures are housed under various subsidiaries and a step-down subsidiary of GRTJIPL. The ultimate shareholdings of the Group entities are with the promoter family.

### Key financial indicators (audited)

| GRT Group (consolidated) | FY2023 | FY2024 |
|---|---|---|
| **Operating income** | 31,705 | 36,859 |
| **PAT** | 801 | 1,049 |
| **OPBDIT/OI** | 4.1% | 3.9% |
| **PAT/OI** | 2.5% | 2.8% |
| **Total outside liabilities/Tangible net worth (times)** | 3.9 | 3.1 |
| **Total debt/OPBDIT (times)** | 6.9 | 6.6 |
| **Interest coverage (times)** | 4.6 | 4.7 |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore*
*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

| GRT Silverwares (Standalone) | FY2023 | FY2024 |
|---|---|---|
| **Operating income** | 283 | 302 |
| **PAT** | 21 | 38 |
| **OPBDIT/OI** | 14.2% | 18.7% |
| **PAT/OI** | 7.4% | 12.5% |
| **Total outside liabilities/Tangible net worth (times)** | 0.4 | 0.3 |
| **Total debt/OPBDIT (times)** | 0.7 | 0.3 |
| **Interest coverage (times)** | 16.9 | 27.9 |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore*
*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

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

**Any other information: None**

## Rating history for past three years

| Instrument | Current rating (FY2025) | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Type | Amount rated (Rs. crore) | 20-Feb-25 | FY2024 | | FY2023 | | FY2022 | |
| | | | | Date | Rating | Date | Rating | Date | Rating |
| **Fund-based working capital facilities** | Long term/ Short term | 5.00 | [ICRA]AA (Stable)/ [ICRA]A1+ | 31-Mar-24 | [ICRA]AA- (Stable)/ [ICRA]A1+ | - | - | - | - |
| **Term Loans** | Long term | 16.11 | [ICRA]AA (Stable) | 31-Mar-24 | [ICRA]AA- (Stable) | - | - | - | - |
| **Unallocated limits** | Long term/ Short term | 4.33 | [ICRA]AA (Stable)/ [ICRA]A1+ | - | - | - | - | - | - |

## Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|---|
| **Long-term/short-term – Fund-based working capital facilities** | Simple |
| **Long-term – Fund Based - Term Loans** | Simple |
| **Long-term/Short-term – Unallocated** | Not applicable |

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: Click here

## Annexure I: Instrument details

| ISIN | Instrument name | Date of issuance | Coupon rate | Maturity | Amount rated (Rs. crore) | Current rating and outlook |
|---|---|---|---|---|---|---|
| NA | Fund-based working capital facilities | NA | NA | NA | 5.00 | [ICRA]AA (Stable)/ [ICRA]A1+ |
| NA | Term Loan-1 | 1-Aug-17 | NA | 06-May-26 | 3.50 | [ICRA]AA (Stable) |
| NA | Term Loan-2 | 1-Oct-17 | NA | 06-May-26 | 1.11 | [ICRA]AA (Stable) |
| NA | Term Loan-3 | 30-Jul-18 | NA | 31-Jul-28 | 8.00 | [ICRA]AA (Stable) |
| NA | Term Loan-4 | 29-Sep-18 | NA | 31-Jul-28 | 3.50 | [ICRA]AA (Stable) |
| NA | Unallocated limit | NA | NA | NA | 4.33 | [ICRA]AA (Stable)/ [ICRA]A1+ |

*Source: Company*

*Please click here to view details of lender-wise facilities rated by ICRA*

## Annexure II: List of entities considered for consolidated analysis

| Company Name | Ownership | Consolidation Approach |
|---|---|---|
| GRT Jewellers (India) Private Limited | - | Full Consolidation |
| GRT Retail International Pte Limited, Singapore* | - | Full Consolidation |
| RAR Industrial and Logistic Park Private Limited* | - | Full Consolidation |
| GRT International Hospitality DMCC* | - | Full Consolidation |
| Grand Leisure Ventures Private Limited Maldives* | - | Full Consolidation |
| RAR Retail and Infra LLP* | - | Full Consolidation |
| GR Thanga Maligai Firm | - | Full Consolidation |
| GR Thanga Maligai & Sons | - | Full Consolidation |
| GRT Silverwares | Rated entity | Full Consolidation |

*Source: Company; *Subsidiaries and stepdown subsidiaries of GRTJIPL; promoters hold the balance shares of entities wherein GRTJIPL does not have a 100% ownership*

## ANALYST CONTACTS


**Shamsher Dewan**
+91 124 4545 328
shamsherd@icraindia.com

**Kinjal Shah**
+91 22 6114 3442
kinjal.shah@icraindia.com

**Sujoy Saha**
+91 33 6521 6805
sujoy.saha@icraindia.com

**Sovanlal Biswas**
+91 33 6521 6808
sovanlal.biswas@icraindia.com


## RELATIONSHIP CONTACT


**L. Shivakumar**
+91 22 6114 3406
shivakumar@icraindia.com


## MEDIA AND PUBLIC RELATIONS CONTACT


**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com


## HELPLINE FOR BUSINESS QUERIES

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

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

## ICRA Limited

### Registered Office

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

### Branches