March 28, 2025

M/s. Purushottam Narayan Gadgil: Ratings reaffirmed and assigned for enhanced limits

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – working capital facilities	140.00	265.00	[ICRA]A (Stable); reaffirmed/assigned for enhanced limits
Total	**140.00**	**265.00**	

Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in the favourable financial risk profile of M/s. Purushottam Narayan Gadgil (PNG or the firm), as characterised by low gearing, healthy debt protection metrics as well as comfortable liquidity position. The rating also takes into account the established market position of PNG in its area of operations (primarily in Sangli and Kolhapur, Maharashtra), along with a track record of more than 190 years in the gold jewellery retail industry. ICRA expects the firm's credit profile to remain comfortable, given the favourable long-term demand outlook for organised jewellery retailers in the country, underpinned by their growing penetration, evolving lifestyle and growing disposable incomes of consumers and cultural affinities. In FY2024, the firm's sales volume moderated by around 15% due to very high prices of gold. However, the higher prices supported the increase of ~8% in revenues to Rs. 1,928.7 crore. Subsequently, in 9MFY2025, while the sales volumes remained range-bound, incessant rally in gold prices supported the revenue growth and firm registered revenues of Rs.1,981.6 crore.

The firm, however, remains exposed to geographical and product concentration risks as it generated over 69% of its revenues from the Sangli and Kolhapur markets and 96% of revenues from gold jewellery in 9MFY2025. ICRA notes that the firm has set up two new stores in FY2025 with total cost of around Rs. 20 crore which was funded through internal accruals; however the additional inventory requirement is funded through working capital loan of Rs.125.0 crore. While efficient working capital management provides comfort to an extent, the earnings remain vulnerable to fluctuations in gold prices due to lack of formal hedging practices. PNG is also exposed to the risks inherent in partnership firms, including the risk of capital withdrawal. ICRA notes that the partners have been withdrawing ~5-8% of its annual profit after tax (PAT) and expects the trend to continue. The rating also factors in the intense competition in the industry, the fragmented industry structure, and inherent regulatory risks, that may have an impact on the business prospects.

The Stable outlook on the rating reflects ICRA's opinion that the firm's revenues and profit margins will remain adequately supported by heathy demand prospects for organiseed jewellery. This will support the debt coverage indicators despite the regular capital expenditure towards store additions.

Key rating drivers and their description

Credit strengths

Longstanding experience of the promoters in the gold jewellery retail business with strong brand equity and market position in Maharashtra – The present partners of the firm have over 40 years of experience in the jewellery retail business with a strong understanding of the local market. The promoters are also instrumental in maintaining a strong relationship with its suppliers and customers, which ensures efficient inventory management. The firm has an established market position with a dominant share in the jewellery retail market of south-western Maharashtra, supported by the vast experience of the promoters, strong brand equity of PNG and its design capabilities. Its retail presence spanning ~190 years has helped in developing a strong brand loyalty in the region.

Favourable long-term demand outlook for organised jewellery retailers – The long-term outlook for the organised jewellery retailers remains favourable, supported by cultural underpinnings, evolving lifestyle and growing disposable income of consumers, favourable demographics and growing penetration of the organised sector. Increasing regulatory restrictions aimed towards greater transparency, higher compliance costs are likely to continue to result in a churn in the unorganised segment, thus benefiting the organised players. The firm is well positioned to tap the incremental demand, given its reputed brand and established market position.

Healthy financial profile – In FY2024, the firm's sales volume moderated by around 15% due to very high prices of gold. However, the higher prices supported the increase of ~8% in revenues to Rs. 1,928.7 crore. Subsequently, in 9MFY2025, while the sales volumes remained range-bound, incessant rally in gold prices supported the revenue growth and firm registered revenues of Rs.1,981.6 crore with OPBDITA and PAT margin of 8.8% and 6.4% in 9MFY2025 led by higher operational efficiencies.

Furthermore, the firm's financial profile is strong, characterised by a low gearing (0.2 times as on December 31, 2025), healthy debt protection metrics (interest cover of 17.9 times and total outside liabilities/ inventory of 0.5 times in 9MFY2025 as per provisional financials).

Credit challenges

Exposed to geographical and product concentration risks – The firm is exposed to geographical and product concentration risks, as it generated 69% of its 9MFY2025 revenues from the Sangli and Kolhapur markets in Maharashtra and earned over 96% of its revenues from gold jewellery sales. However, with an extensive track record, PNG enjoys a strong customer base and market share in its core region, helping it reduce the said risk. ICRA notes that the firm's dependence on the Sangli and Kolhapur markets remains high at present, and with opening of an additional store in Kolhapur, the same is expected to continue.

Profitability susceptible to fluctuations in gold prices – Raw materials constitute over 90% of the operating costs of a gold jewellery retailer. Gold jewellery sales account for 95-96% of the firm's revenues, so its profitability remains susceptible to gold price movements. Further, absence of formal hedging practices aggravates the risk to some extent.

Exposed to regulatory risks as well as risks inherent in partnership firms – The jewellery retail industry has been witnessing increased regulatory intervention in the past years like compulsory hallmarking requirements, limited access to gold metal loans, mandatory Permanent Account Number (PAN) disclosure requirement beyond the threshold transaction limit, restrictions on jewellery savings schemes, imposition of excise duty, GST implementation ,among others which impacted demand and supply in the industry. Moreover, given its constitution as a partnership firm, PNG is exposed to discrete risks, including the limited ability to raise capital and possibility of capital withdrawals by the partners. ICRA notes that the partners have been withdrawing ~5-8% of its annual net profit and expects the trend to continue. Any significant capital withdrawal by the partners could lead to cash flow mismatch and thus remains important from the credit perspective.

Liquidity position: Adequate

The firm's liquidity is adequate with healthy cash flows from business operations. It does not have any principal repayment obligation as the debt comprises working capital debt and deposits from partners and relatives. The company had free cash and bank balance and liquid investments of ~Rs. 32 crore as January 22,2025, and unutilised fund-based working capital facilities of Rs. 116.0 crore as on December 31,2024, which provides additional liquidity buffer. Against this, it incurred capex of ~Rs. 25-27 crore in FY2025 towards setting up of two new stores in Hubli and Kolhapur, the Kolhapur store was inaugurated on March 26,2025 and Hubli store is expected to open in May,2025.

Rating sensitivities

Positive factors – A sustained growth in the firm's scale of operations and earnings, with improved product mix and higher geographical diversification may trigger a rating upgrade.

Negative factors – Pressure on PNG's rating may arise owing to any large deterioration in the earnings or an increase in the debt levels, thereby impacting its coverage metrics on a sustained basis. Specific trigger for the downgrade would be an interest coverage below 5.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Jewellery - Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone financials have been considered

About the company

M/s. Purushottam Narayan Gadgil (PNG) is one of the renowned jewellery retailers in south-west Maharashtra, offering wide varieties of gold, silver and precious gemstone jewelleries. The firm enjoys a 19-decades long legacy of the 'P N Gadgil' brand, established by the Gadgil family, which entered the gold jewellery business in 1832 in Sangli, Maharashtra under the name, Purushottam Narayan Gadgil Jewellers. As on March 31, 2024, the firm had eight stores in south-western Maharashtra and three in Karnataka with an aggregate build-up area of ~44,842 sq. ft. During FY2025, it has set up two new stores - one in Hubli and another in Kolhapur, the Kolhapur store was inaugurated on March 26,2025 and the Hubli store is expected to open in May,2025.

Key financial indicators (audited)

PNG	FY2023	FY2024	9M FY2025*
Operating income	1,783.5	1,928.7	1,981.6
PAT	63.3	83.1	127.4
OPBDIT/OI	6.6%	7.8%	8.8%
PAT/OI	3.5%	4.3%	6.4%
Total outside liabilities/Tangible net worth (times)	0.6	0.6	0.6
Total debt/OPBDIT (times)	0.9	0.8	0.6
Interest coverage (times)	7.7	10.4	17.9

*Source: Company, ICRA Research; * Provisional numbers; 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

		Current (FY2025)		Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 28. 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based –working capital facilities	Long term	265.00	**[ICRA]A (Stable)**	July-04-2024	[ICRA]A (Stable)	Jul-17-2023	[ICRA]A (Stable)	May-27-2022	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term– Fund-based working capital facilities	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: 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	-	8.75-9%	-	265.0	[ICRA]A (Stable)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis- Not Applicable

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