



Press Release

Shri Rathna Akshaya Estates Private Limited June 19, 2023

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facility	447.54	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Rating reaffirmed, outlook revised to stable and removal of Rating Watch with Developing Implications	Simple
Total	447.54	Rupees Four Hundred and Forty Seven Crore and Fifty Four Lakh Only		

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings reaffirmed to the bank facilities of Shri Rathna Akshaya Estates Private Limited (SRAEPL) reflects in the track record of group and extensive experience of management followed by moderate scale of operation and profitability and financial risk profile marked by satisfactory capital structure.

The rating however is restricted by the working capital intensive nature of business and further constrained by modest debt coverage Indicator, profitability exposed to volatility in raw material prices fluctuation, exposure to intense competition in the retailing industry and regulatory risks in the jewellery industry.

Infomerics has assigned outlook with subsequent removal of rating watch with developing implication to Shri Rathna Akshaya Estates Private Limited with immediate effect post clarification on key audit matters have been obtained from the company.

Key Rating Sensitivities:

Upward Factors:

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

Downward Factors:



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- Any decline in Total operating income achieved during FY23(Prov.)
- Profitability margin or debt protection metrics below threshold limits.
- Any elongation in working cycle which impacts liquidity indicator fall below unity.

Key Rating Drivers with detailed description

Key Rating Strengths :

Track record of group and extensive experience of management

Saravana stores has been in retail business for over more than four decades. SRAEPL is a part of Saravana Selvarathnam group, which is largest family-owned enterprises in Tamil Nadu. Promoters also have extensive experience in the retail market and have wide reputation in entire corporate retail market segment. The “Saravana Selvarathnam Stores” has a wide brand presence in domestic and as well across country. The group targets low and middle-income customers. The company has strong procurement linkages owing to large scale of operations, and also commands pricing of cost-plus-nominal mark-up from manufacturer.

Moderate scale of operation and profitability

The total operating income(TOI) of the company has increased from Rs. 275.42 crore in FY21 to Rs.311.62 crore in FY22 on account of increase in traded goods sold. The company had achieved almost 50% of total sales from Jewellery segment and the balance 50% of total sales is from sales of textiles, furniture's, and households, electronics & other goods. The company has achieved total operating income of Rs.474.93 crore for FY23(prov) and has improved over FY22 across the aforesaid parameters with the commencement of the commercial operations of third showroom at Pallavaram, Chennai.

The EBITDA margin of the company stood moderate at 6.76% in FY22 moderated as against 8.02% in FY21 due to increase in trade good consumption at the leading to decrease in gross profit at Rs.21.05 crore in FY22 viz-a-viz Rs.22.08 crore in FY21. Further, PAT margin continued to remain moderate at 2.31% in FY22 as against 2.31% in FY21 due to decrease in interest expense and nominal depreciation provision.

Satisfactory Capital structure

The capital structure marked by overall gearing stood 2.36x as on March 31, 2022 marginally deteriorated as against 2.18x in FY21 however remained satisfactory. This is due to increase



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in term debt during the year availed for Capex purpose. Further, TOL/TNW had moderated from 2.38x as on March 31, 2021, to 2.81x as on March 31, 2022.

Key Rating Weaknesses:

Working capital intensive nature of operation

Being in retail business, the company is into working capital intensive nature of operation, indicated by its higher inventory period. The purchases are backed by a post dated cheque mechanism to the creditors and thereby creditor are settled within 30 days. The inventory period are hold up to 6 months due to retail nature of business. On sale collection are based on upfront cash basis. Above all the operating cycle stood at 161 days in FY22. The average utilization of working capital of the firm for last twelve month remained 95 % for the last month ended May, 2023. The company had adequate liquidity at 1.39x to meet debt obligation in medium term.

Modest debt coverage Indicator

The debt coverage indicators marked by total debt to GCA stood modest 37.26x in FY22 declined as against 35.49x FY21 due to quantum increase in total debt level availed for Capex during the year.

The Interest coverage ratio moderated and stood at 2.64x in FY22 against 2.16x in FY21 led by nominal increase in operating profit coupled with decrease in interest cost.

Profitability exposed to volatility in raw material prices fluctuation

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

Exposure to intense competition in the retailing industry

The company has shopping complexes on the high streets of Madurai, Tirunelveli and Chennai, which are flooded with small and large players in the same line of business. It faces intense competition in terms of product quality and pricing, which leads to continuous pricing pressure, affecting its margins.



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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](#)

Liquidity-Adequate

SRAEPL's liquidity appears to be adequate with current ratio of 1.31x as on March 31, 2022 and 1.79x as on March 31, 2021. Gross Cash Accruals (GCA) of the company stood at Rs.9.76 crore in FY21 and Rs.10.65 crore in FY22. Cash and Bank balance stood at Rs.1.38 crore as on March 31, 2022 and Rs.14.27 crore as on March 31, 2021. SRAEPL has sufficient cash accruals as at Rs. 50.99 crore in FY23(Prov) against the long-term debt repayment obligations of Rs.26.28 crore. The average utilization of working capital of the firm for last twelve month remained 95 % for the past 12 month ended May, 2023. The company had adequate liquidity at 1.39x to meet debt obligation in medium term.

About the Company:

SRAEPL was established in the year 2014 to capitalise on the brand value of the Saravana group. SRAEPL was promoted in the name of second daughter of Mr. Selva Rathnam Saravana . The company is engaged in trading of gold, silver and diamond ornaments, textiles and readymade garments, footwear and cosmetics, household articles and electronic goods and mobile phones and provisions, vegetables, and fruits. The retail stores are located at Madurai, Tirunelveli and Chennai in Tamil Nadu.

Financials: Standalone

For the year ended / INR. Crore*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	275.42	311.62



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EBITDA	22.08	21.05
PAT	6.35	7.20
Total Debt	346.37	391.07
Tangible Net Worth	158.56	165.76
Ratios		
EBITDA Margin (%)	8.02	6.76
PAT Margin (%)	2.31	2.31
Overall Gearing Ratio (x)	2.18	2.36

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

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 2022-23 (June-22, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in in 2020-21 (March 23, 2021)
1.	Long Term Bank Facility - Term Loan	Long Term	222.54	IVR BBB+/ Stable	IVR BBB+; Credit Watch with Developing Implications	-	IVR BBB+; Credit Watch with Developing Implications
2.	Long Term Bank Facility - Cash Credit	Long Term	225.00	IVR BBB+/ Stable	IVR BBB+; Credit Watch with Developing Implications	-	IVR BBB+; Credit Watch with Developing Implications

Name and Contact Details of the Rating Analyst:

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About Infomerics:



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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.

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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
Term Loan	-	-	September 2029	222.54	IVR BBB+/ Stable



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Cash Credit	-	-	-	225.00	IVR BBB+/ Stable
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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

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

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