

## Angel Gold (Revised)

February 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	27.76 (Enhanced from 23.38)	CARE BB-; Stable	Reaffirmed
Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Angel Gold is constrained by the leveraged capital structure, relatively moderate scale of operations with low margins, working capital intensive nature of operations and fragmented and competitive nature of the industry with exposure to volatility in gold prices. However, the rating derives strength from the vast experience of the promoter and the firm's long-standing relationship with renowned retailers.

The short-term facilities, rated by CARE Ratings Ltd. have been withdrawn following the closure of the facility by the firm in October 2023 and the confirmation received from the banker regarding the same.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operations beyond Rs. 175 Cr with margins above 2.5% on a consistent basis
- Improvement in capital structure with overall gearing below 3.5x

#### Negative factors

- Decline in PBILDT/Interest to below 1.2x.

### Analytical approach: Standalone

### Outlook: Stable

CARE Ratings believes that the entity shall sustain its moderate financial risk profile over the medium term aided by the experience of the promoters.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Financial risk profile marked by low margins and leveraged Capital Structure

AG's financial risk profile is characterized by low profit margins and leveraged capital structure. The capital structure marked by overall gearing stood at 7.44x as on March 31, 2023, as against 5.76x as on March 31, 2022, resulting from an increase in working capital borrowings. The net-worth of the firm stood at Rs.3.09 crore as on March 31, 2023, while the debt coverage indicators stood modest marked by Interest coverage and TD/GCA standing at 1.81x and 29.78x, respectively, in FY23.

##### Modest scale of operation

AG is involved in manufacturing and wholesaling of jewellery in domestic market, which is majorly confined to Kerala and Tamil Nadu. The firm procures bullion majorly from banks under the gold metal loan scheme and from private bullion traders. The sales volume in FY23 for AG witnessed a growth of 32% with turnover increasing almost 45% from Rs.89 crore in FY22 to Rs.129 crore in FY23. However, the increase in gold prices, coupled with an increase in manufacturing expenses has led to a decrease in Profit before interest, lease rentals, depreciation and taxation (PBILDT) margins to 1.79% in FY23 on comparison to 2.54% in FY22. The firm has achieved a turnover of Rs.104 crore in 9MFY24.

##### Presence in a highly fragmented industry and exposure to gold price volatility

The domestic jewellery industry is fragmented and highly competitive with the presence of large numbers of organised and unorganised players. Being wholesale player in the market, the group faces stiff competition which puts pressure on its profitability. With the introduction of GST, many of the unorganised players have closed shop which has eased the pressure on

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

the group but still faces competition from the organised players. The group's profit margins are exposed to the volatile gold prices. Gold prices have exhibited sharp volatility based upon demand & supply conditions, regulatory control, and volatility in the foreign currency exchange rates.

### Partnership nature of constitution with inherent risk of capital withdrawal

Angel Gold is constituted as a partnership entity wherein it is exposed to frequent withdrawal of capital and resultant erosion of the net worth resulting in a lower capital base despite the firm's long history of successfully running the firm. Additionally, the partnership firms' limited access to external borrowing restricts their potential for expansion.

### Key strengths

#### Extensive experience of promoters in the jewellery industry

Mr K.O. Tobias, the managing partner of AG, has been in the business of manufacturing and wholesaling gold jewellery since 1995. Before establishing AG, he along with his brother was involved in manufacturing and wholesaling of gold jewellery. The proprietor manages the day-to-day operations of AG. He is assisted by well experienced management team comprising of his wife Mrs. Roysy Tobias and son Mr. Ashiq Tobias.

#### Established and diversified customer base

The firm concentrates on selling its products to local renowned retailers with major customers being GRT Jewellers, Saravana Selvarathnam Retail (P) Ltd, Alukkas Group and Bhima Jewellers. Thrissur being the hub for gold jewellers in the state of Kerala, the management is in the final stage of shifting the corporate office to Puthanpalli from the current facility in Punnamm, to diversify its products to other retailers as well. The company has in-house manufacturing unit in Avinissery and also outsources its manufacturing to other job units and artisans.

#### Liquidity: Stretched

AG has unencumbered cash and cash equivalents of Rs.1.72 crore as on March 31, 2023. AG provides debtor period of around 10-15 days to small and medium jewellers whereas provides 5-7 days to big jewellers. It also holds inventory in form of bullion as well as jewellery with majority payments for purchase of the jewellery are almost immediate. The average utilization of gold metal loan limit stood above 90% for the past twelve months ended November 2023.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Wholesale Trading](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

Angel Gold was established by Mr K.O. Tobias in 2002. The firm is a family business assisted by his wife Mrs. Roysy Tobias and son Mr. Ashiq Tobias. AG is involved in manufacturing of jewellery in gold, studded with stones and gems. In 2002, it started as manufacturer and wholesaler of gold jewellery in Avinissery, Kerala. The firm has a manufacturing unit in Avinissery with a capacity on average 100kg gold per month. The firm manufactures variety of ornaments like bangles, necklace, rings, etc. The firm also owns a retail store in Thrissur, however, does not promote the same. The firm's majority of sales comes from Chennai and Kerala.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24(UA)
Total operating income	89.05	129.70	104.73
PBILDT	2.26	2.32	NA
PAT	0.78	0.72	NA
Overall gearing (times)	5.76	7.44	NA
Interest coverage (times)	2.17	1.81	NA

A: Audited UA: Unaudited; NA: Not Available Note: 'the above results are latest financial results available'

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

**Any other information:** Nil

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	25.60	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	December 2026	2.16	CARE BB-; Stable
Fund-based - ST-Bank Overdraft		-	-	-	0.00	Withdrawn

### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	25.60	CARE BB-; Stable	-	1)CARE BB-; Stable (12-Jan-23)	-	-
2	Fund-based - LT-Term Loan	LT	2.16	CARE BB-; Stable	-	1)CARE BB-; Stable (12-Jan-23)	-	-
3	Fund-based - ST-Bank Overdraft	ST	-	-	-	1)CARE A4 (12-Jan-23)	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple

#### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

#### Contact us

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