

Rajakumari Shopping Mall LLP

December 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	31.50	CARE BB; Stable	Assigned
Short Term Bank Facilities	3.50	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Rajakumari Shopping Mall LLP (RSM) are constrained by thin profitability margins exposed to fluctuations in gold prices, geographic concentration risk and fragmented and highly competitive nature of jewellery retail industry. The ratings are also constrained by the ongoing IT investigation leading to tax demand for previous years and net losses in FY24 (refers to the period April 1 to March 31).

The ratings however derive strength from the experience of the promoters in the jewellery sector, long track record of operations of the firm and comfortable capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent growth in the operating income above ₹800 crores aided by addition of new showrooms
- Reduction in geographical concentration
- Completion of IT investigation with favorable outcome for the firm without any further demand of liabilities

Negative factors

- Any adverse outcome from the IT search leading to higher income tax demand and stretch in liquidity
- Any large debt funded capex leading to Total Debt/ PBILDT ratio above 2.5x
- Elongation in operating cycle beyond 200 days on sustained basis

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects the sustainability in the operational performance of the firm supported by the contribution from newly opened showrooms.

Detailed description of the key rating drivers:

Key weaknesses

Thin profitability margins exposed to volatility in gold prices

RSM's profit margins have been thin and volatile, with the PBILDT margin in the range of 2.5-5.5% in the last five years and exposed to the volatile gold prices. The firm has to maintain sufficient inventory with a wide variety of designs to meet customer demand, which exposes it to the risk of volatile gold prices.

Geographic concentration risk

The firm's revenue is largely concentrated in the Kerala market, with most of the showrooms are located in and around Trivandrum. This exposes its revenue and earnings to fluctuations in the demand scenario and restrictions within the state. Although the firm has a showroom at Tamil Nadu, contribution from the same accounts for only 12% during FY24.

Fragmented and highly competitive nature of jewellery retail industry

The industry consists of various small unorganized players competing in the market which increases competition. The firm has to continuously offer new designs and adopt innovative marketing practices to attract and retain customers. Further, the jewellery sector had seen heightened regulatory action in the past, and the company will remain susceptible to changing regulatory norms.

Instances of income tax raid in the past

Rajakumari Group of entities were subject to a search operation by income tax department during January 2023. The group has paid the complete tax demand during FY24. The income tax related to previous years paid during FY24 led to net loss of Rs. 46.91 crore in FY24. The assessment by the IT department is still ongoing and any further liabilities arising would have adverse impact on the liquidity profile of the company.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Key strengths

Comfortable capital structure

The firm's capital structure is robust, with an overall gearing ratio of 0.05x as of March 31, 2024 with minimal long term borrowings. The interest coverage indicators also stood comfortable with PBILDT/ Interest of 23.30x as on March 31, 2024 (PY: 19.74x)

Experience of the promoters in the jewellery sector

Mr. Kahar Mohammed Kunju and Mr. Nissam Jamal Mohammed started the LLP during April 2012 and has over two decades of experience in jewellery sector. Currently, there are nine designated partners and day- to- day activities are carried out by all the designated partners. The promoters are also involved in Bullion trading, textiles, hypermarket among others.

Long track record of operations of the group

Rajakumari group was involved in trading of gold bullions since 1996. Later during 2012, through RSM LLP the group involved in the retailing of gold while the trading of bullion was handled by another group entity, Quality Bullion LLP. Over the years, the group has been able to develop a favorable brand image in various lines of businesses including textiles, retailing of home appliances and furniture and hyper markets in and around Trivandrum, Kerala.

Liquidity: Stretched

Liquidity is stretched with net losses reported during FY24. The firm has working capital facility of ₹31.5 crores. Average utilization for the same stood around 90% during the last 12 months ended November 2024. The operating cycle elongated from 127 days in FY22 to 156 days in FY24 due to the requirement for higher inventory holding in the showrooms. Any further demand of tax raising from the IT investigation proceeds might lead to stretch in liquidity and it is a key rating monitorable.

Assumptions/Covenants – Not applicable

Environment, social, and governance (ESG) risks – Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Retail](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry Classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

Rajakumari Shopping Mall LLP (RSM), established in March 2012 is engaged in retailing gold jewellery in Kerala. As of March 31, 2024, the firm has 9 designated partners and 1,185 other partners. The firm operates 13 showrooms located in and around Trivandrum, Kerala. It is a part of the Rajakumari Group which was founded in 1996. Initially focusing on gold and diamond trading, the group expanded its operations to include textiles, supermarkets, and furniture retailing though other group concerns like Quality Bullion LLP, Rajakumari Shopping LLP and Rajakumari Silks among others.

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	7MFY25 (UA)
Total operating income	734.55	714.88	609.95
PBILDT	17.39	37.95	NA
PAT	6.78	-46.91	NA
Overall gearing (times)	0.04	0.05	NA
Interest coverage (times)	19.74	23.30	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: Not applicable

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 and Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	31.50	CARE BB; Stable
Non-fund-based - ST-Credit Exposure Limit		-	-	-	3.50	CARE A4

Annexure-2: Rating history of 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 2024-2025	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
1	Fund-based - LT-Working Capital Limits	LT	31.50	CARE BB; Stable				
2	Non-fund-based - ST-Credit Exposure Limit	ST	3.50	CARE A4				

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Lender details

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

Note on 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.

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