

Press Release

Laxmi Dia Jewel Private Limited

August 09, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 120.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) on the Rs. 120.00 crore bank facilities of Laxmi Dia Jewel Private Limited. The outlook is '**Stable**'.

Laxmi Dia Jewel Private Limited (LDJPL), incorporated in 1992, is promoted by Mr. Vasantbhai Gajera. LDJPL is engaged in manufacturing of diamond studded and gold jewellery for both segment retail as well as wholesale. The company sells its jewellery under the brand name 'Cygnus Bran'. LDJPL is a part of Laxmi Group.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Laxmi Dia Jewel Private Limited to arrive at this rating. The rating has been notched up for group support from Laxmi Group.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

The promoters of LDJPL are into diamond business since 1972. The management of the company has developed healthy relationship with its customers and has extensive experience of almost four decades in the diamond industry.

Acuité believes that the business risk profile of the company will be substantially strengthened on the back of established customer relationship and experienced promoters.

• Moderate financial risk profile

The financial risk profile is moderate marked by tangible net worth of Rs.120.73 crore as on 31 March, 2017 as against Rs.119.69 crore in the previous year. The gearing stood at 0.71 times as on 31 March, 2017 as against 0.92 times in the previous year. The total debt of Rs.85.14 crore includes unsecured loan of Rs. 0.15 crore and working capital funds of Rs.84.99 crore. Interest Coverage Ratio (ICR) stood at 1.32 times for FY2017 as against 1.58 times in FY2016. This is on account of decline in profitability in FY2017. The total liabilities to tangible net worth (TOL/TNW) stood at 1.08 times as on 31 March, 2017 as against 1.33 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.03 times in FY2017 compared to 0.05 times in FY2016.

Going forward, Acuité expects the company to maintain its financial risk profile in the absence of major debt funded capex plan.

Weaknesses

• Declining revenues

LDJPL registered revenues of Rs.254.94 crore in FY2017 as against Rs.297.30 crore in FY2016 and Rs.360.47 crore in FY2015. The reason for decline in revenues is that one of the unit of the company was shutdown. However, the company has reported Rs. 275.03 crore for FY2018 (Provisional).

• Working-capital intensive nature of operations and stretched liquidity

The company has working capital intensive nature of operations evident from Gross Current Assets of 309 days in FY2017 as against 299 days in FY2016. This is majorly on account of stretched debtor days

of 154 in FY2017 as against 121 days in FY2016. Also inventory days stood at 150 days in FY2017 as against 174 days in FY2016. The bank limit utilisation is almost full for the last six months ended May, 2018.

• **Intense competition from established players in the organised and unorganised sector**

LDJPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins. The diamond industry is passing through turmoil at present due to the funding restrictions by the banks.

Acuite expects established players like LDJPL will be able to sustain the same on account of its established presence in the market.

Outlook: Stable

Acuite believes that LDJPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers significant growth in its revenue while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or deterioration in its financial risk profile due to higher than expected debt funded capex plan.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	254.94	297.30	360.47
EBITDA	Rs. Cr.	15.96	17.63	24.50
PAT	Rs. Cr.	0.50	2.79	4.94
EBITDA Margin	(%)	6.26	5.93	6.80
PAT Margin	(%)	0.20	0.94	1.37
ROCE	(%)	7.13	7.47	19.29
Total Debt/Tangible Net Worth	Times	0.71	0.92	1.03
PBDIT/Interest	Times	1.32	1.58	1.89
Total Debt/PBDIT	Times	5.62	5.68	5.41
Gross Current Assets (Days)	Days	309	299	273

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-24.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	33.25	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	33.75	ACUITE BBB- / Stable

Cash credit of Rs. 30.00 crore is interchangeable with packing credit/standby line of credit/bank guarantee to the extent of Rs. 30.00 crore.

Cash credit of Rs. 33.25 crore is interchangeable with packing credit/standby line of credit/bank guarantee to the extent of Rs. 33.25 crore.

Cash credit of Rs. 12.00 crore is interchangeable with packing credit/standby line of credit/bank guarantee to the extent of Rs. 12.00 crore.

Cash credit of Rs. 8.00 crore is interchangeable with packing credit/standby line of credit/bank guarantee to the extent of Rs.8.00 crore.

Cash credit of Rs. 3.00 crore is interchangeable with packing credit/standby line of credit/bank guarantee to the extent of Rs. 3.00 crore.

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About Acuité Ratings & Research:

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