



Press Release
LAXMI DIA JEWEL PRIVATE LIMITED
December 22, 2023
Rating Upgraded and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.50	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	69.50	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	50.50	-	-
Total Withdrawn Quantum (Rs. Cr)	69.50	-	-

Rating Rationale

Acuite has upgraded the long term rating to **ACUITE BB (read as ACUITE double B)** from **ACUITE B+ (read as ACUITE B plus)** on the Rs. 50.50 Cr bank facilities of Laxmi Dia Jewel Pvt Ltd. The outlook is 'Stable'.

Further, the long-term rating on the Rs. 69.50 Cr. bank facilities of Laxmi Dia Jewel Pvt Ltd are withdrawn without assigning any Rating as the Instruments are fully repaid.

The rating is being withdrawn on account of the request received from the company and the NOC received from the banker's as per Acuite's policy on withdrawal of ratings as applicable to the respective facilities.

Rationale for Rating

The rating is based on the improved operating and financial performance of the company marked by improved operating income and profitability margins and moderate financial risk profile. The company generated revenue of Rs. 287.92 Cr in FY2023 as against Rs. 260.35 Cr in FY2022 and Rs. 147.89 Cr in FY2021. In 5MFY2024 the company has generated Rs. 134.26 Cr and expects to close the year in the range of Rs. 310-350 Cr by year end. The improvement is driven by increased production capacity FY2023 onwards. The company's operating profitability improved in FY2023 as it stood at 3.78% as against 1.43% and 3.22% in FY2022 and FY2021 respectively, driven by reduced input material cost. These strengths are partly offset by the working capital intensive nature of operations of the company. The company has an elongated working capital cycle as reflected from gross current asset days of 387 days as on March 31, 2023 as against 329 days as on March 31, 2022 and 469 days as on March 31, 2021. Going forward, the company's ability to restrict further elongation of working capital cycle and improve its scale of operations and profitability while maintaining its working capital cycle will remain key rating monitorables.

About the Company

Laxmi Dia Jewel Private Limited (LDJPL), incorporated in 1992, is engaged in manufacturing of diamond studded and gold jewellery for both retail as well as wholesale segment. The company sells its jewellery under the brand name 'Cygnus Bran'. It is promoted and managed by Mr. Jatinkumar Gajera along with Mr. Mitesh Gajera. Its manufacturing plant is located at Kandivali, Mumbai. The company is a part of Laxmi Group.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Laxmi Dia Jewel Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Incorporated in 1992, LDJPL is currently managed by Mr. Mitesh Gajera and Mr. Jatinkumar Gajera. The promoters have an extensive experience of more than a decade in the industry which has aided them in developing healthy relationship with its customers and suppliers. The company generated revenue of Rs. 287.92 Cr in FY2023 as against Rs. 260.35 Cr in FY2022 and Rs.147.89 Cr in FY2021. In 5MFy2024 the company has generated Rs.134.26 Cr and expects to close the year in the range of Rs. 310-350 Cr by year end. The improvement is driven by increased production capacity FY2023 onwards. The company's operating profitability improved in FY2023 as it stood at 3.78% as against 1.43% and 3.22% in FY2022 and FY2021 respectively, driven by reduced input material cost. Acuite believes supported by experience of the management, the business risk profile of the company shall improve over the medium term.

Moderate financial risk profile

The company has a moderate financial risk profile marked by low gearing, healthy net-worth and comfortable debt protection metrics. The net-worth of the company stood at Rs.124.94 Cr in FY2023 as against Rs.121.72 Cr in FY2022 and Rs.120.99 Cr in FY2021. The total debt stood at Rs.28.75 Cr in FY2023 as against Rs.33.62 Cr in FY2022. The total debt comprised of Rs. 25.28 Cr of short-term debt, Rs. 1.68 Cr of long-term debt and Rs.1.80 Cr of current portion of long-term debt. The overall gearing stood at 0.23 times as on March 31, 2023 as against 0.28 times as on March 31, 2022. The debt protection metrics recorded an improvement in FY2023 driven by improved profitability and reduced debt. Interest coverage ratio stood at 3.50 times in FY2023 as against 2.09 times in FY2022 and 1.26 times in FY2021. Net Cash Accruals to Total Debt stood at 0.16 times in FY2023 as against 0.06 times in FY2022 and 0.02 times in FY2021. However, total to tangible net-worth deteriorated to 1.58 times in FY2023 as against 1.01 times in FY2022 and 1.01 times in FY2021 driven by increased reliance on suppliers for credit. The company recently enhanced its banking limits (working capital) by another 20 Cr. Considering this additional debt over the near to medium term, the gearing though estimated to increase in comparison to FY2023, it will remain below 0.50 times over the period FY2024-25 and the interest coverage ratio is estimated to improve vis-à-vis FY2023 basis estimated improvement in operating performance of the company during FY24-25.

Acuite believes in the absence of any major debt funded capex plan, the financial risk profile of the company will remain moderate over the medium term.

Weaknesses

Working-capital intensive nature of operations

The company's operations are working capital intensive as reflected from gross current asset days of 387 days as on March 31, 2023 as against 329 days as on March 31, 2022 and 469 days as on March 31, 2021. The GCA days are driven by high inventory and debtor days. The inventory days stood at 266 days as on March 31, 2023 as against 196 days as on March 31, 2022 and 280 days as on March 31, 2021. The debtor days stood at 107 days as on March 31, 2023 as against 109 days as on March 31, 2022 and 161 days as on March 31, 2021. The company gives a credit period 90-120 days to its customers. The elongated gross operating cycle is supported by adequate credit allowed by suppliers. The creditor days stood 239 days as on March 31, 2023 as against 138 days as on March 31, 2022 and 129 days as on March 31, 2021. The company's major input material is gold and diamond. Gold is procured on immediate payment basis, however, get a credit period of 150-180 days on diamond procurement. Diamond procurement constitutes ~50% of total input material value and a significant proportion of the total diamond procurement is made from group entity Laxmi Diamond Pvt Ltd. The average bank limit utilisation of fund based facilities stood at ~95% eight months ended August, 2023. Acuite believes company's ability to restrict further elongation in working capital cycle will remain a key rating monitorable.

Highly competitive industry coupled with high commodity risk

Gold being a commodity, price is influenced by various factors including demand and supply. The price fluctuation risk could have adverse impact on company's earnings. However, the risk of gold price fluctuation is mitigated to some extent by way of procuring gold on daily basis on the actual sale made by the company.

Moreover, gold jewellery segment is a highly-fragmented segment, with the presence of large organised and numerous unorganised players.

Rating Sensitivities

- > Further elongation of working capital cycle
- > Sustainability of scale of operations and profitability margins

All Covenants

None

Liquidity Position

Stretched

The company has stretched liquidity marked by elongated working capital cycle and high bank limit utilisation. The gross current asset days of the company stood at 387 days for FY2023 as against 329 days last year and the average bank limit utilisation stood at ~95% eight months ended August, 2023. The company generated net cash accruals of 4.51 Cr in FY2023 and Rs. 2.04 Cr in FY2022 against repayment obligations of Rs.1.5-3 Cr during the period. The company is expected to generate net cash accruals in the range of Rs. 8-9 Cr during the period FY2024-25 against repayment obligations of Rs. 1.5-1.8 Cr. The current ratio and the cash and balance of the company stood at 1.56 times and Rs.6.00 Cr respectively as on March 31, 2023.

Outlook: Stable

Acuité 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 and limiting its working capital cycle. 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 or lower than expected revenue and profit generation.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	287.92	260.35
PAT	Rs. Cr.	3.15	0.79
PAT Margin	(%)	1.09	0.30
Total Debt/Tangible Net Worth	Times	0.23	0.28
PBDIT/Interest	Times	3.50	2.09

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Jun 2023	Cash Credit	Long Term	10.00	ACUITE B+ (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	26.75	ACUITE B+ (Issuer not co-operating*)
	Cash Credit	Long Term	33.25	ACUITE B+ (Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE B+ (Issuer not co-operating*)
	Cash Credit	Long Term	30.00	ACUITE B+ (Issuer not co-operating*)
	Metal Loan	Long Term	12.00	ACUITE B+ (Issuer not co-operating*)
21 Mar 2022	Cash Credit	Long Term	33.25	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Metal Loan	Long Term	12.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	30.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	26.75	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
18 Dec 2020	Metal Loan	Long Term	12.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	26.75	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	33.25	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	30.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB- (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	27.00	ACUITE BB Stable Upgraded
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	Not Applicable Withdrawn
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	Not Applicable Withdrawn
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	Not Applicable Withdrawn
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE BB Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	14.75	ACUITE BB Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.25	ACUITE BB Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	21.50	Not Applicable Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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