

Press Release

Lalithaa Jewellery Mart Private Limited

February 01, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1200.00	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A**' (read as **ACUITE A**) on the Rs.1200 Cr. bank facilities of Lalithaa Jewellery Mart Private Limited (LJMPL). The outlook is '**Stable**'.

Rationale for Reaffirmation

The rating reaffirmation factors in the improvement in operating performance of the LJMPL in FY2022 marked by increase in operating income, stable operating margins, healthy financial risk profile albeit working capital intensive nature of operations and moderate reliance on bank limits. The revenue of the company stood at Rs.8186.84 crore in FY2022 registering a growth of ~13 percent YoY compared to revenue of Rs.7245.70 crore in FY2021. Further, the operations continued to remain healthy as the revenue of LJMPL stood at Rs. 9791.56 crore for 9MFY2023. The increase in the revenue is on account of newly opened showrooms. The operating profit margin of the company stood at 5.04% for FY2022 as against 5.82% for FY2021. The financial risk profile of the company continues to remain moderate marked by healthy net worth, low gearing and comfortable debt protection metrics.

About the Company

Lalithaa Jewellery Mart Private Limited (LJMPL) is a Chennai-based jewellery chain founded in 1985 by Late Mr. Kandaswamy, with its operations spread across South India. The current Chairman & Managing Director – Dr. Kiran Kumar Jain took over the company in 2000. The company mainly deals into gold jewellery, ranging from wedding jewellery, everyday jewellery and fashion jewellery in latest styles & designs; targeting the middle class income group. Apart from this, the company also deals into silver, diamond and platinum products.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of LJMPL to arrive at the rating

Key Rating Drivers

Strengths

Long track record of operations coupled with established market position and experienced management

LJMPL is amongst the leading gold jewellery players in South India. With over four decades of presence, the company also enjoys strong brand recognition in South India, which is a key gold consumption region in the country. The southern region comprises almost 40 per cent of the total gold consumption in the country with Hyderabad, Bangalore, Chennai and Cochin being the main centres.

The Chairman & Managing Director of the company – Dr. Kiran Kumar Jain has been associated with the industry since the last 2 decades and has been taking care of the entire business operations of the company since 2000. Over the years, under his leadership, the company has not only expanded its footprint in South India, but has also established itself as one of the top 10 gold jewellery players in a highly fragmented industry.

As of December 2022, the company has 44 showrooms, out of which 18 showrooms are located in Tamil Nadu, 1 in Pondicherry, 13 in Andhra Pradesh, 5 in Telangana, and 7 in Karnataka. Chennai being the first showroom, the company has also opened other larger showrooms at Vizag and Hyderabad which are the major contributors to revenues of the company. Majority of the showrooms are on a lease basis.

Acuité believes that the company shall continue to benefit from the long track record of operations and experienced management.

Improvement in operating performance

The revenue of the company stood at Rs.8186.84 crore in FY2022 registering a growth of ~13 percent YoY compared to revenue of Rs.7245.70 crore in FY2021. Further, the operations continued to remain healthy as the revenue of LJMPL stood at Rs. 9791.56 crore for 9MFY2023. The increase in the revenue is on account of newly opened showrooms, six new showrooms were opened during FY2022 at Theni (Tamil Nadu), Guntur (Andhra Pradesh), Anantapur (Andhra Pradesh), Dilsukhnagar (Telangana), Kammanahalli (Karnataka), Yelahanka (Karnataka). The operating profit margin of the company stood at 5.04% for FY2022 as against 5.82% for FY2021. PAT margin stood at 2.31% for FY2022 as against 2.28% for FY2021. Further, in the current year FY2023 6 new showrooms have been opened so far and opening of 2 more showrooms has been planned, one at Gajivaka (Andhra Pradesh), expected to be opened by January 2023 and other in Chittoor (Andhra Pradesh) expected to be opened in February 2023.

Acuité believes that the operating income of the company is likely to witness an improving trend going forward, driven by addition of showrooms and increasing revenues from the existing showrooms.

Moderate Financial Risk Profile

LJMPL has moderate financial risk profile marked by high tangible networth, low gearing and moderate coverage ratios. The tangible net worth improved to Rs.1065.04 crore as on 31 March 2022 as against Rs.875.70 crore as on 31 March, 2021 owing to accretion in reserves. The gearing level of the company stood low below unity at 0.59 times as on 31 March 2022 as against 0.81 times as on 31 March, 2021. The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 3.17 times for FY2022 against 3.05 times for FY2021. Also, the Debt Service Coverage Ratio (DSCR) stood at 2.70 times for FY2022 against 2.53 times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 1.99 times as on March 31, 2022 against 2.36 times as on March 31, 2021.

Weaknesses

Working Capital Intensive Nature of Operations

The operations of the company are of working capital intensive nature marked by high GCA

days of 131 days for FY2022 as against 121 days for FY2021. The high GCA days are majorly on account of high inventory levels of 135 days for FY2022 compared against 124 days for FY2021. Subsequently, the debtor days also remained low at 16 days for FY2022 against 23 days for FY2021. The creditor days of the company stood at 6 days for FY2022 as against 2 days for FY2021. The average utilization of the working capital limits of the company remained on the higher side of ~92.22 percent in 9MFY2023.

Presence in highly competitive & fragmented industry with exposure to regulatory challenges

The country's gems and jewellery sector is highly fragmented. The retail segment has high dominance of unorganized players, who enjoy around 70 per cent market share. While in case of the manufacturing segment, the dominance of unorganized players is even higher at around 90 per cent. Moreover, increased regulatory intervention such as gold hallmarking, requirement of PAN, etc. impact the demand-supply trend in the sector. Furthermore, the fluctuation in gold prices also impact the demand for gold.

ESG Factors Relevant for Rating

The gems and jewellery industry plays an important role in generating employment particularly in India. While employment is material from the social perspective, the sector needs to ensure a healthy and safe working environment for its employees. On the governance aspect, ethical business practices and adherence to appropriate accounting norms including arms-length accounting with group entities are important for the sustainability of the business and enjoying the confidence of the stakeholders including the lenders. Although the environmental factors are not highly material, the industry must be vigilant that the mining of the raw materials do not damage the environment in a significant manner.

LJMPL is involved in several CSR activities which includes investment in improving the quality of life of communities. The CSR policy of the company includes eradicating hunger, poverty and malnutrition, promoting education, promoting gender equality, empowering women, setting up homes and hostels for women and orphans, ensuring environmental sustainability and protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art.

Rating Sensitivities

- Lower-than-expected revenue growth thereby impacting profitability and net cash accruals
- Elongation in working capital cycle leading to liquidity constraints.

Liquidity Position Adequate

LJMPL has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.243 crore in FY2022 compared against no significant maturing debt obligations. The cash accruals of the company are estimated to remain around Rs.325.96-372.96 crore during 2023-24 period against no maturing debt obligations on account of absence of any long term debt. The average utilization of the working capital limits of the company remained on the higher side of ~92.22 percent in 9MFY2023. Furthermore, the company maintains unencumbered cash and bank balances of Rs.13.68 crore as on March 31, 2022 and the current ratio also stood moderate at 1.64 times as on March 31, 2022.

Outlook: Stable

Acuité believes that LJMP will maintain a 'Stable' outlook led by strong presence and brand

recognition in the southern part of India being the highest gold consumption market in the country, along with rising showroom count and experienced management. The outlook may be revised to 'Positive' in case the company reports higher-than-expected growth in revenue and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case the company's revenue growth and operating performance gets deteriorated, thereby impacting its overall financial risk profile and the liquidity profile.

Any Other Information

None

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

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	8186.84	7245.70
PAT	Rs. Cr.	189.34	164.84
PAT Margin	(%)	2.31	2.28
Total Debt/Tangible Net Worth	Times	0.59	0.81
PBDIT/Interest	Times	3.17	3.05

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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
08 Nov	Working Capital Demand Loan	Long Term	24.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	24.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	13.20	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	16.00	ACUITE A Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	501.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	136.00	ACUITE A Stable (Reaffirmed)

2021	Cash Credit	Long Term	75.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	18.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	272.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	8.80	ACUITE A Stable (Reaffirmed)
15 Jan 2021	Cash Credit	Long Term	75.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	22.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	272.00	ACUITE A Stable (Assigned)
	Proposed Cash Credit	Long Term	199.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	136.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	52.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	24.00	ACUITE A Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	136.00	ACUITE A Stable Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A Stable Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A Stable Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE A Stable Reaffirmed
J&K Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A Stable Reaffirmed
DBS Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A Stable Reaffirmed
Dhanlaxmi Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE A Stable Reaffirmed
South Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.80	ACUITE A Stable Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	272.00	ACUITE A Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	501.00	ACUITE A Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	18.00	ACUITE A Stable Reaffirmed
South Indian Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	13.20	ACUITE A Stable Reaffirmed
UCO Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	24.00	ACUITE A Stable Reaffirmed

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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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