

Press Release

LA LITHA A JEWELLERY MART LIMITED (ERSTWHILE LA LITHA A JEWELLERY PRIVATE LIMITED)

March 14, 2024



Product	Rating	Quantum (Rs. Cr)	Reaffirmed and Withdrawn Long Term Rating	Short Term Rating
Bank Loan Ratings		674.00	ACUITE A Reaffirmed & Withdrawn	-
Bank Loan Ratings		526.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)		0.00	-	-
Total Withdrawn Quantum (Rs. Cr)		1200.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE A**' (read as **ACUITE A**) on the Rs.1,200.Cr bank facilities of Lalithaa Jewellery Mart Limited.

The rating withdrawal is in accordance with the Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and NOC received from the banker.

Acuite has withdrawn the rating of the Rs. 501Cr proposed facilities and Rs.25Cr.bank Facilities of Lalithaa Jewellery Mart Limited (LJML). The same is withdrawn without assigning any rating as the Instrument is fully repaid and no longer an outstanding obligation of the company. The rating is being withdrawn on account of No Due Certificate (NDC) received from the banker's as per Acuite's policy on withdrawal of ratings as applicable to the respective facility/instrument.

Rationale for rating reaffirmation:

The rating reaffirmation factors in the improvement in operating performance of the LJML in FY23 marked by increase in operating income, stable operating margins, moderate financial risk profile. The revenue of the company improved to Rs.13,380.93Cr in FY23 registering a growth of ~63 percent YoY compared to revenue of Rs.8,186.84Cr in FY22. Further, the operations continued to remain healthy as the revenue of LJML stood at Rs. 9146.21Cr in 6MFY24. The increase in the revenue is on account of newly opened showrooms. The operating profit margin of the company stood at 3.93% for FY23 as against 5.04% for FY22. The financial risk profile of the company continues to remain moderate marked by healthy net worth, low gearing and comfortable debt protection metrics.

The ratings however, are constrained by working capital intensive nature of operations and presence of high amounts of contingent liability.

About the Company

Lalithaa Jewellery Mart Limited (LJML) 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of LJML 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.

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 has shown significant improvement over the past three years at a compounded annual growth rate of 22 percent. Revenue of the company stood at Rs. 13,380.93Cr in FY23 against Rs. 8,186.84Cr in FY22. The growth in revenue is mainly attributable to addition of new showrooms Y-o-Y. The company has opened 8 new showrooms in FY23 and has opened 6 showrooms in the current year. Further, the company has already registered revenue of Rs. 9,146.21Cr till September 2023 and expected to close the year in the range of Rs. 17,000-17,500Cr.

The operating profit margin of the company declined to 3.93 percent in FY23 from 5.04 percent of previous year. The decline in EBITDA margin is mainly on account increased trading activity in FY23. However, the EBITDA margin has shown improvement in the current year at 5percent till September, 2023.

Moderate financial risk profile:

Financial risk profile of LJML is moderate marked by healthy net worth, comfortable capital structure and moderate debt protection metrics. Company's net worth stood at Rs. 1298.80 Cr as on March 31, 2023 as compared to Rs. 1,065.05 Cr as on March 31, 2022. Improvement in net worth is on account of accretion for profits to reserves. The company's capital structure is comfortable marked with gearing and total outside liabilities to total net worth (TOL/TNW) of 0.42 times and 2.24 times respectively as on March 31, 2023 as against 0.59 times and 2.11 times as on March 31, 2022.

The coverage indicators were improved marginally during FY23 with DSCR of 2.85 times as on March 31st 2023 as against 2.70 times as on March 31st 2022. Interest coverage stood at 3.39 times as on March 31st 2023 as against 3.17 times as on March 31st 2022. Debt to EBITDA has marginally improved to 1.01 times during FY23 from 1.38 times during previous year.

Weaknesses

Moderate working capital operations

The working capital operations of the company are moderate intensive marked by high GCA days of 97 days for FY23 as against 116 days for FY22. The high GCA days are majorly on account of high inventory levels of 99 days for FY23 compared against 120 days for FY22. Subsequently, the debtor days also remained less than 10 days for the past 3 years. The creditor days of the company stood at 6 days for FY22 and FY23 as well. The average utilization of the working capital limits of the company remained on the higher side of ~97 percent in past 12 months ending December 2023.

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

Not Applicable

Liquidity position: Adequate

LJML has adequate liquidity marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.293.48Cr in FY23 compared against minuscule maturing debt obligations of Rs.0.22Cr. The average utilization of the working capital limits of the company remained on the higher side of ~97 percent FY23. Furthermore, the company has unencumbered cash and bank balances of Rs.18.08Cr as on March 31, 2023 which provides additional comfort towards liquidity. The current ratio also stood moderate at 1.40 times as on March 31, 2023.

Outlook: Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	13380.93	8186.84
PAT	Rs. Cr.	232.92	189.34
PAT Margin	(%)	1.74	2.31
Total Debt/Tangible Net Worth	Times	0.42	0.59
PBDIT/Interest	Times	3.39	3.17

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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
01 Feb 2023	Cash Credit	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	24.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	8.80	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	272.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	136.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	16.00	ACUITE A Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	501.00	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	18.00	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	13.20	ACUITE A Stable (Reaffirmed)
08 Nov 2021	Working Capital Demand Loan (WC DL)	Long Term	24.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	8.80	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	24.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	272.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	16.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	136.00	ACUITE A Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	501.00	ACUITE A Stable (Reaffirmed)
Working Capital Demand Loan (WC DL)	Long Term	13.20	ACUITE A Stable (Assigned)	
Working Capital Demand Loan	Long		ACUITE A Stable	

	(WCDL)	Term	24.00	(Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	18.00	ACUITE A Stable (Assigned)
15 Jan 2021	Cash Credit	Long Term	272.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	136.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	75.00	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	30.00	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	24.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	22.00	ACUITE A Stable (Assigned)
	Proposed Cash Credit	Long Term	199.00	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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	136.00	ACUITE A Reaffirmed & Withdrawn
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.00	ACUITE A Reaffirmed & Withdrawn
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A Reaffirmed & Withdrawn
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A Reaffirmed & Withdrawn
J&K Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A Reaffirmed & Withdrawn
DBS Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	Not Applicable Withdrawn
Dhanlaxmi Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.00	ACUITE A Reaffirmed & Withdrawn
South Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.80	ACUITE A Reaffirmed & Withdrawn
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE A Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	272.00	ACUITE A Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	501.00	Not Applicable Withdrawn
Indian Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE A Reaffirmed & Withdrawn
South	Not	Working Capital		Not avl.	Not avl.			

Indian Bank	avl. / Not appl.	Demand Loan (WCDL)	Not avl. / Not appl.	/ Not appl.	/ Not appl.	Simple	13.20	ACUITE A Reaffirmed & Withdrawn
UCO Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.00	ACUITE A Reaffirmed & 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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