



## Press Release

**Lala Kashi Nath Seth Jewellers Private Limited**

**April 30, 2021**

### **Ratings**

<b>Sr. No</b>	<b>Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Rating Assigned</b>
1	Long Term Fund based facilities - Cash Credit	32.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)
2	Long Term Fund based facilities – Term Loan	3.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)
	<b>Total</b>	<b>35.00</b>	

*\*Details of Facilities are in Annexure 1.*

### **Detailed Rationale**

The ratings assigned to the bank facilities of Lala Kashi Nath Seth Jewellers Pvt Ltd (LKNSJPL or the company) takes into account the extensive experience of the promoter in the jewellery business, established market position in Kanpur, moderate capital structure and financial risk profile. These are partially offset by Impact of the outbreak of COVID-19, exposure to fluctuations in gold prices and regulatory risk, intense competition.

### **Key Rating Sensitivities**

#### **- Upward Factors**

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis.
- Improvement in debt protection matrix and liquidity

#### **- Downward Factors**

- Decline in the scale of operations or weaker operating profitability
- Elongation in operating cycle impacting the liquidity.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

**Experience of the promoter in the jewellery business** - The company was established in 1999, however, the business was initially started by Mr. Lala Kashinath Seth in the year 1864 in Shajahanpur, Uttar Pradesh. The company is promoted by Mr. Pramod Chandra Seth and his two sons Mr. Raghvendra Chandra Seth and Mr. Bharat Chandra Seth. The Promoters have had a vast experience in this field as they have been in this business from many generations. The promoters' track record in the business mitigates the operational risk to an extent.

**Established market position in Kanpur** – The company has three showrooms in Kanpur. The company is also into dealership of 2-wheeler automobiles sales and has opened showrooms in Kanpur & is expected to open few more showrooms across the region. The location of the showrooms at prime places provides easy accessibility to its target customers. The Company has a diversified customer base with exposure to jewellery manufacturers and retailers.

**Moderate capital Structure and financial risk profile** – Capital structure of the company is moderate and is marked by Tangible Networth of Rs. 25.01 Crore & Total Debt of Rs. 18.82 crore as of FY2020. This led to improvement in ratio TOL/TNW & overall gearing. TOL/TNW of the company is consistently improved from 3.57x in FY2018 to 2.12x in FY2020 on account of closure of credit limits & infusion of capital. Overall gearing ratio has also improved from 2.08x in FY2018 to 0.75x in FY2020. This is further assisted by improvement in current ratio from 1.30x in FY2018 to 1.57x in FY2020. DSCR is improved to 2.68x in FY2020. At present, debt protection matrix involves only working capital limits. Because of consistent increase in operating income with stable profit margins, debt protection matrix is expected to be improved further.

#### Key Rating Weaknesses

**Impact of the outbreak of COVID-19** - In Q1FY21, sales has remained muted due to the lockdown & COVID-19 restrictions. However, the manufacturing facilities had begun operations in June 2020 on a small scale as per the relaxations given by the central and



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state government on lockdown restrictions. Again, the gems and jewellery industry being seasonal in nature from September 2020, owing to the festival season and marriage occasions, which was also impacted due to the pandemic.

**Intense competition in the highly fragmented jewellery industry** – The domestic gems and jewellery industry is highly fragmented in nature and is characterized by intense competition. The company not only faces competition from unorganised players, but also from a few well-established organised players.

**Exposure to fluctuations in gold prices and regulatory risk** - The jewellery retail industry has been witnessing increased regulatory intervention in the last few years which impacted the operating environment and consequently the performance of the jewellers. Revenue growth and margins remain susceptible to fluctuations in gold prices, which in turn are impacted by regulatory requirements. Any adverse policy decision leading to unfavourable movement in gold prices could impact demand prospects and profitability.

**Analytical Approach:** Standalone

**Applicable Criteria**

Rating Methodology for Trading companies

Financial Ratios & Interpretation (Non-Financial Sector)

**Liquidity: Adequate**

Lala Kashi Nath Seth Jewellers Pvt Ltd maintains an adequate liquidity as reflected in its average fund-based utilisation levels of 54% over the past 12 months period ended March 2021. Gross Cash accruals as of FY2020 is Rs. 3.31 crore against Nil debt Obligations. Current ratio for FY2020 was 1.57x and quick ratio was 0.39x indicating adequate liquidity. Total cash and bank balances stood at Rs. 6.18 Crore.

**About the Company**

Incorporated in 1999, Lala Kashinath Seth Jewellers Pvt. Ltd. is a Private limited company involved in the business of retail trading of Gold, Diamond & Silver Jewellery. The Company is mainly promoted by Mr. Pramod Chandra Seth and his two sons Mr. Raghvendra Chandra



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Seth and Mr. Bharat Chandra Seth. The Company has its 3 Jewellery stores at Kanpur. The Company has recently diversified its business via dealership of automobiles sales. The company has taken dealership of Bajaj for their 2-Wheelers. The company has one showroom in Kanpur & is expected to open few more showrooms.

### Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	206.48	214.75
EBITDA	6.07	6.29
PAT	5.12	2.91
Tangible Net worth	22.10	25.01
EBITDA Margin (%)	2.94	2.93
PAT Margin (%)	2.44	1.36
Overall Gearing Ratio (x)	1.22	0.75

\*As per Infomerics Standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

### Rating History for last three years:

Sr. No	Facility	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	32.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	NA	NA	NA
2	Term	Long	3.00	IVR BBB- /Stable	NA	NA	NA



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		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
	Loan	Term		(IVR Triple B Minus with Stable Outlook)			
Total			35.00				

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### **ANNEXURE I**

#### **Details of Facilities**

<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Amount (Rs. Crore)</b>	<b>Rating Assigned/ Outlook</b>
Long Term Bank Facilities – Cash Credit	-	-	Revolving	32.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)
Long Term Bank Facilities – Term Loans	-	-	Sept 2025	3.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)
<b>Total</b>				<b>35.00</b>	