



Press Release

Lala Kashi Nath Seth Jewellers Private Limited (LKNSJPL)

December 17, 2024

Rating

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	32.00	IVR BBB-/ Stable [Withdrawn] (IVR Triple B Minus with Stable outlook) [Withdrawn]	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed and simultaneously Withdrawn	Simple
Long Term Facilities – Term Loan (GECL 1)	0.00 (Reduced from 1.66)	-	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Withdrawn	Simple
Total	32.00 (Rupees Thirty-Two crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Valuation and Rating Private Limited has withdrawn the ratings of “IVR BBB-/ Stable” assigned to the bank facilities of Lala Kashi Nath Seth Jewellers Private Limited (LKNSJPL) with immediate effect.

No Objection Certificate has been received from the bankers dated December 11, 2024. The company request for withdrawal has also been received.

The rating withdrawn is in line with Infomerics’ policy on withdrawal of rating and as requested by the company.

The reaffirmation of ratings to the bank facilities of Lala Kashi Nath Seth Jewellers Private Limited (LKNSJPL) continues to draw comfort from its extensive experience of the promoter in the jewellery business and their established market position, as well as their Moderate scale of operations and profitability, moderate capital structure and financial risk profile. Additionally, their approach towards Mitigating Price Risk in a Volatile Gold, and Silver Market. However, the rating strengths are partially offset by exposure to fluctuations in gold prices, and regulatory risk as well as the presence of intense competition.



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The rating for Rs 1.66 crore Term Loan (GECL 1) has been withdrawn based on the client request and receiving of 'No Due Certificate' from the banker. The rating withdrawn is in line with 'Infomerics' policy on withdrawal.

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.

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 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

The company operates three jewellery showrooms, located in Kanpur, Uttar Pradesh. The company has a diversified customer base with exposure to jewellery manufacturers and retailers. The company is also into dealership of Bajaj auto limited 2-wheeler automobiles sales with two showrooms in Kanpur. The strategic placement of the showrooms in prime locations ensures convenient access for the target customers.



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Moderate scale of operations and profitability

The total operating income of the company registered improvement of 18.83% in FY24 (refers to the period April 01, 2023, to March 31, 2024). The overall operating income in FY24 stood at Rs 172.07 crore. The company has earned EBITDA of Rs 6.02 crore in FY24 against Rs 6.72 crore in FY23 (refers to the period April 01, 2022, to March 31, 2023), the company has earned EBITDA margin of 3.50% in FY24 against 4.64% in FY23, where the EBITDA margin has marginally declined due to realization led by fluctuation in price of traded goods. The company registered its PAT margin at 2.05% with the value of Rs 3.58 crore in FY24 compared to 1.71% with the value of Rs 2.48 crore in FY23. By concentrating on product categories with superior margins, the company is proactively addressing the bottom line for ensuring long-term sustainability.

Moderate capital structure and financial risk profile

Overall gearing ratio remained moderate to 1.19x as on March 31, 2024, from 1.25x each as on March 31, 2023, led by increase in total net worth. TOL/TNW improved to 2.05x as on March 31, 2024, against 2.81x as on March 31, 2023. The interest coverage ratio stood at 1.71x in FY24 against 2.06x. The operating cycle of LKNSJPL improved to 88 days in FY24 from 135 days in FY23 led by decrease in average inventory days to 144 days in FY24 from 173 days in FY23. Average creditors day improved to 74 days in FY24 from 92 days in FY23, while average collection period remained at 18 days in FY24 when compared to 53 days in FY23.

Approach towards mitigating price risk in a volatile gold and silver market

To manage the daily price fluctuations in gold and silver, the company is aligning their purchases with the quantity of products sold, thereby mitigating the inherent price risk. In a volatile market where gold and silver prices can fluctuate significantly from one day to the next, this strategy reflects the company's adaptability to minimize potential financial exposure. By purchasing in line with their sales volume, the company is enhancing their ability to stabilize costs and protect their profitability. This approach will safeguard their financial health.

Key Rating Weaknesses

Intense competition in the highly fragmented jewellery industry



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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 unfavorable movement in gold prices could impact demand prospects and profitability.

Exposure to fluctuations in gold prices and regulatory risk

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Analytical Approach: Standalone

Applicable criteria:

[Rating Methodology for Trading companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on withdrawal on ratings](#)

Liquidity – Adequate

LKNSJPL's liquidity appears to be adequate. Gross Cash Accruals (GCA) of the company stood at Rs 3.05 crore in FY23 and increased to Rs 4.01 crore in FY24 with current ratio of 1.36x as on March 31, 2024. Cash and Bank balance stood at Rs 0.67 crore as on March 31, 2024. LKNSJPL has



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sufficient cash accruals as against the long-term debt repayment obligations. Its average fund based working capital utilization for the 12 months ended August 2023 remains moderate.

About the Company

Incorporated in 1999, LKNSJPL is a Private limited company involved in the business of retail trading of Gold, Diamond, and Silver Jewellery. The business was started by Mr. Lala Kashinath Seth in the year 1864 in Shajahanpur, Uttar Pradesh. The company is mainly promoted by Mr. Pramod Chandra Seth and his two sons Mr. Raghvendra Chandra Seth and Mr. Bharat Chandra Seth. The company has its 3 Jewellery stores at Kanpur, Uttar Pradesh. The company also has dealership of Bajaj automobiles for selling its two-wheeler vehicles. The company has showrooms in Kanpur for the Bajaj two-wheeler vehicles.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	144.80	172.07
EBITDA	6.72	6.02
PAT	2.48	3.58
Total Debt	39.50	41.81
Tangible Net Worth	31.59	35.14
EBITDA Margin (%)	4.64	3.50
PAT Margin (%)	1.71	2.05
Overall Gearing Ratio (x)	1.25	1.19
Interest Coverage (x)	2.06	1.71

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22
					(October 31, 2023)	(August 08, 2022)	(June 27, 2022)	(April 30, 2021)
1.	Term Loan (GECL 1) *	Long Term	0.00	-	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB+; Issuer Not Cooperating	IVR BBB-/ Stable
2.	Cash Credit	Long Term	32.00	IVR BBB-/ Stable [Withdrawn]	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB+; Issuer Not Cooperating	IVR BBB-/ Stable

*Rating stands withdrawn

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	Revolving	32.00	IVR BBB-/ Stable [Withdrawn]

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-LalaKashiNath-dec24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.