



Press Release

Lala Kashi Nath Seth Jewellers Private Limited

August 08, 2022

Rating

Facilities	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	34.33 (reduced from 35.00)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised from IVR BB+ (IVR Double B Plus) and removed from ISSUER NOT COOPERATING category	Simple
Total	34.33 (Rupees Thirty Four crore and Thirty Three lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating was migrated to ISSUER NOT COOPERATING category as Lala Kashi Nath Seth Jewellers Private Limited (LKNSJPL) had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, LKNSJPL has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPERATING category.

The revision in the rating assigned to the bank facilities of LKNSJPL continues to draw comfort from its extensive experience of the promoter in the jewellery business, established market position in Kanpur, moderate capital structure and financial risk profile. However, the rating strengths are partially offset by exposure to fluctuations in gold prices and regulatory risk along with intense competition.

Key Rating Sensitivities

Upward Rating Factor

- 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 Rating Factor

- 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

The company has three showrooms 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 2-wheeler automobiles sales with two showrooms in Kanpur and Lucknow each. The location of the showrooms at prime places provides easy accessibility to its target customers.

Moderate scale of operations and profitability

LKNSJPL's total operating income declined by 26.63% to Rs.157.43 crore in FY21 from Rs.214.75 crore in FY20 as the company had to shut down majority of its stores during COVID-19 related lockdown in April 2020 and May 2020. Consequently, EBITDA and PAT deteriorated to Rs.4.78 crore and Rs.1.94 crore in FY21. GCA declined to Rs.2.32 crore in FY21 from Rs.3.31 crore in FY20. EBITDA margin slightly improved to 3.04% in FY21 from 2.93% in FY20 due to better realization led by increase in price of traded goods. PAT margin remained muted at 1.23% in FY21 and 1.36% in FY20. TOI increased to Rs.167.55 crore in FY22 with increase in demand post normalization of overall economy post COVID-19 pandemic. EBITDA margin improved to 4.70% in FY22 (provisional) from 3.04% in FY21 and PAT margin also improved to 2.81% in FY22 (provisional) from 1.23% in FY21, while the GCA improved from Rs.2.32 crore in FY21 to Rs.5.12 crore in FY22 (provisional).

Moderate capital Structure and financial risk profile

Overall gearing ratio deteriorated to 1.26x as on March 31, 2021 from 0.75x each as on March 31, 2020 led by increase in total debt due to higher utilization of working capital bank borrowings as on



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balance sheet date. TOL/TNW remained almost similar at 2.16x as on March 31, 2021 against 2.12x as on March 31, 2021.

Overall gearing ratio improved to 0.97x as on March 31, 2022 against 1.26x each as on March 31, 2021 due to increase in tangible networth base of the company led by accretion of profits to reserves. TOL/TNW also improved to 1.67x as on March 31, 2022, from 2.16x as on March 31, 2021.

The interest coverage ratio deteriorated and stood at 2.76x in FY21 against 3.19x in FY20 led by decline in operating profit. The interest coverage ratio improved to 4.92x in FY22 from 2.76x in FY21 due to decline in interest cost led by lower utilization of CC limits in FY22 compared to FY21.

Operating cycle of LKNSJPL increased to 90 days in FY21 from 61 days in FY20 led by increase in average inventory days which increased to 135 days in FY21 from 110 days in FY20. Average creditors day increased to 66 days in FY21 from 60 days in FY20, while average collection period stood at 21 days in FY21 from 11 days in FY20. Operating cycle stood at 95 days in FY22(Provisional) with average collection period of 20 days, average inventory period of 125 days and average creditors period of 49 days.

Key Rating Weaknesses

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](#)

[Criteria of assigning Rating Outlook](#)

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



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Liquidity – Adequate

LKNSJPL's liquidity appears to be adequate with current ratio of 1.97x as on March 31, 2022 (Provisional) and 1.59x as on March 31, 2021. Gross Cash Accruals (GCA) of the company stood at Rs.2.32 crore in FY21 and increased to Rs.5.12 crore in FY22(Provisional). Cash and Bank balance stood at Rs.14.35 crore as on March 31, 2022 and Rs.14.55 crore as on March 31, 2021. LKNSJPL has sufficient cash accruals as against the long-term debt repayment obligations. Its average fund based working capital utilization for the 12 months ended June 2022 stood around 47.96%.

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 two showrooms in Kanpur and two showrooms in Lucknow for the Bajaj two-wheeler vehicles.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	157.43	167.55
EBITDA	4.16	7.87
PAT	1.32	4.72
Total Debt	37.37	30.59
Tangible Net worth	30.12	31.66
Ratios		
EBITDA Margin (%)	2.64	4.70
PAT Margin (%)	0.84	2.81
Overall Gearing Ratio (x)	1.24	0.97

*Classification as per Infomerics' standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2022-23)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned (PR date June 27, 2022)	Date(s) & Rating(s) assigned in 2021-22 (PR date April 30, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	32.00	IVR BBB-/ Stable	IVR BB+; Issuer Not Cooperating	IVR BBB-/ Stable	-	-
2.	Term Loan	Long Term	2.33	IVR BBB-/ Stable	IVR BB+; Issuer Not Cooperating	IVR BBB-/ Stable	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	32.00	IVR BBB-/ Stable
Term Loan	-	-	October 2024	2.33	IVR BBB-/ Stable

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

Annexure 3: Facility wise lender detail

<https://www.infomerics.com/admin/prfiles/Len-lala-kashinath-aug22.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.