



## Press Release

**Laxmi Jewellery Export Private Limited**

**October 03, 2023**

### Ratings

<b>Instrument Facility</b> /	<b>Amount (Rs. Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term / Short Term Bank Facilities	55.00	IVR BBB-/ Stable / IVR A3 (IVR Triple B Minus with Stable Outlook / IVR A Three)	Reaffirmed	Simple
<b>Total</b>	<b>55.00 (Rupees Fifty Five Crore Only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The reaffirmation in the ratings assigned to the bank loan facilities of Laxmi Jewellery Export Private Limited (LJEPL) derives strength from extensive experience of the promoters in the jewellery business, established relationship with reputed and well-known customers, comfortable capital structure and debt protection metrics, prudent working capital management and prudent risk mitigation measures. The ratings however constrained by moderate financial performance along with thin profitability margins, susceptibility of margins to volatility in the price of gold and exposure to regulatory risks and presence in a highly competitive and fragmented industry.

### Key Rating Sensitivities:

#### Upward Factors

- Sustained improvement in total operating income.
- Sustained improvement in profit margins.
- Improvement in the capital structure with improvement in TOL/TNW.
- Maintaining low operating cycle.



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### Downward Factors

- Any decline in total operating income and/or profitability leading to deterioration in overall financial risk profile of the company.
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Extensive experience of the promoters in the jewellery business**

LJEPL is promoted by Mr. Vipul Y Mehta having an experience of more than four decades in the jewellery business. He is actively involved in the overall operations of the company. By virtue of the vast experience of the promoter, LJEPL has long standing relations with its customers and suppliers.

- **Established relationship with reputed and well-known customers**

The company caters to the gold and diamond jewellery requirement of reputed brands like Tanishq and Malabar Gold. LJEPL offers its customers a wide variety of jewellery across India in order to cater to regional preferences. The established relation with customers helps it get repeat orders from them.

- **Comfortable capital structure and debt protection metrics**

LJEPL's capital structure remained comfortable with overall gearing improved and stood at 0.42x at the end of FY23 (P) (FY22:0.92x) with overall improvement in profitability. While, TOL/TNW improved to 1.14x (1.78x) with low utilization of short term borrowings along with improvement in profitability. EBITDA interest coverage ratio marginally improved to 7.81x at the end of FY23 (FY22:7.15x). IVR expects LJEPL's capital structure expected to remain at the current levels with expected stable profitability and absence of debt led capex.

- **Prudent working capital management**

The company has managed its working capital requirements prudently and implemented an effective receivables management system. Collection period was range bound from 37 to 44 days in the past three years ending FY23 (P). The operating cycle stood at 54 days in FY23 (P) as against 61 days in FY22. The working capital requirement of the company



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is mainly funded through promoter's funds in the form of unsecured loan (as and when required) and bank borrowings.

- **Prudent risk mitigation measures**

LJEPL creates of positions of future in gold to safeguard the risk of appreciation in gold prices. LJEPL protects itself against forex fluctuations through forward contracts. LJEPL mainly trades in USD.

### Key Rating Weaknesses

- **Moderate financial performance along with thin profitability margins**

The EBITDA margin has remained thin and improved marginally to 3.25% in FY23 (P) against 2.96% in FY22 due to better average sales realization. In line with EBITDA margin, PAT margin has improved to 2.32% in FY23 (P) against 1.91% in FY22.

- **Susceptibility of margins to volatility in the price of gold and exposure to regulatory risks**

The prices of the raw material i.e. gold, silver, diamond are inherently volatile and are driven largely by local demand and supply conditions. Any wide fluctuation in the price of its key raw material and inability to timely pass on the complete increase in the prices to its customers is affecting the company's profitability margins.

- **Presence in a highly competitive and fragmented industry**

The gems and jewellery industry in India is highly fragmented with presence of numerous unorganised players, apart from some very large integrated manufacturers leading to highly competitive industry. The company faces stiff competition from both organised as well as unorganised players. The competitive and fragmented nature of the industry impacts the company's profitability margins.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)



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### Financial Ratios & Interpretation (Non-Financial Sector)

#### **Liquidity – Strong**

The company has managed its working capital requirements prudently and implemented an effective receivables management system. Collection period improved to 29 days in FY23 (P) against 44 days in FY22. The operating cycle stood at 61 days in FY23 (P) as against 80 days in FY21. The working capital requirement of the company is mainly funded through promoter's funds in the form of unsecured loan (as and when required) and bank borrowings. The company's average working capital utilization of the sanctioned bank limits is only 18%, thus reflecting strong liquidity.

LJEPL's liquidity is expected to remain strong given the expected cash accruals in the range of Rs. 30.85 crore to Rs. 40.80 crore in the period of FY24 to FY26 as against Nil repayments. The free cash and cash equivalents balance stood at Rs. 54.32 crore as on March 31, 2023, while average working capital utilisation for the 12 months ended August 2023 remained comfortable at ~18%. Current ratio stood at 1.94x as on March 31, 2023

#### **About the Company**

Incorporated in 1992, Laxmi Jewellery Exports Private Limited (LJEPL) is promoted by Mr. Vipul Y Mehta, Mr. Divyesh Y Mehta and Mr. Sagar Y Mehta. It is engaged in manufacturing and wholesale trading of jewellery (mainly antique jewellery designs). The jewellery is manufactured on job work basis at Ahmedabad. The primary export destinations of LJEPL are UAE, UK and USA. Exports accounted for around 11% of the total sales in FY23. LJEPL's product profile includes antique, traditional, bridal contemporary and combination designs across jewellery lines, usages and price points.

#### **Financials (Standalone)\*:**

	(Rs. Crore)	
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Total Operating Income	897.27	894.15
EBITDA	26.53	29.10
PAT	17.12	20.83
Total Debt	89.25	51.44



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For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Tangible Net worth	96.67	123.69
EBITDA Margin (%)	2.96	3.25
PAT Margin (%)	1.91	2.32
Overall Gearing Ratio (times)	0.92	0.42

\*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Type	Current Ratings (Year 2023-24)		Rating History for the past 3 years		
			Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
Press Release					-	-	(9-Feb-2021)
1.	Long Term / Short Term Bank Facilities – Cash Credit	Long Term	55.00	IVR BBB-/ Stable / IVR A3	IVR BBB-/ Stable / IVR A3 (6-Jul-2022)  IVR BB+ (INC)/ IVR A4+ (INC) (29-Apr-2022)	-	IVR BBB-/ Stable / IVR A3

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (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.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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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
Long Term / Short Term Bank	–	–	–	55.00	IVR BBB-/ Stable / IVR A3



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Facilities – Cash Credit					

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-laxmi-oct23.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](http://www.infomerics.com).