



Press Release

Laxmi Dia Jewels Private Limited

June 24, 2021

Ratings

Sr. No	Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund based Limits – Cash Credit	27.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
2	Long Term Fund Based Facility – CCECL (O/s)	2.10	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
3	Long Term Fund Based Facility - GECL	5.43	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Total		34.53	

**Details of Facilities are in Annexure 1.*

Detailed Rationale

The ratings assigned to the bank facilities of Laxmi Dia Jewels Private Limited (LDJPL or the company) takes into account the extensive experience of the promoter in the jewellery business, established customer base, 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 1992 however, the business was initially started by one of its group company, Laxmi Diamond in 1972 in Surat. LDJPL is a part of Laxmi Group. The company is promoted & managed, by the Mumbai based Gajera family. 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. The company sells its jewellery under the brand name 'Cygnus Brand'.

Established well know customer base – The company has their manufacturing facility in Mumbai. LDJPL is engaged in manufacturing of diamond studded and gold jewellery for both segment retail as well as wholesale and for domestic and export markets. The Company has a diversified customer base. The company has exported its product to various countries like Canada, UAE, Singapore, Nepal, Bangkok etc.

Moderate capital Structure and financial risk profile – Capital structure of the company is moderate and is marked by Tangible Networth of Rs. 120.49 Crore & a Total Debt of Rs. 40.03 crore as of FY2020. This led to improvement in ratio TOL/TNW & overall gearing. TOL/TNW of the company is consistently improved from 1.16x in FY2018 to 0.62x in FY2020 on account of decrease of credit limits. Overall gearing ratio has also improved from 0.73x in FY2018 to 0.33x in FY2020. This is further assisted by improvement in current ratio from 1.75x in FY2018 to 2.45x in FY2020. DSCR has been stable to 1.02x in FY2020.

A. 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 July 2020 on a small scale as per the relaxations given by the central and state government on lockdown restrictions. Again, the 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. The company was able to record sales of Rs. 149.60 Crore during April to March 2021(prov).



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

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

Laxmi Dia Jewels Pvt Ltd has a stretched liquidity as reflected in its fund-based utilisation levels of 92% over the past 12 months period ended April 2021. Gross Cash accruals 1.33 crore in FY2021(prov) against debt Obligations & finance cost of around Rs. 4 crores in FY2021(prov). Current ratio for FY2021(prov) was 2.31x and quick ratio was 0.98x. Total cash and bank balances stood as of FY2021 (prov) at Rs. 6.55 Crore.

About the Company

Incorporated in 1992, Laxmi Dia Jewel Private Limited (LDJPL), is promoted by the Mumbai based Gajera family. LDJPL is a part of Laxmi Group LDJPL is engaged in manufacturing of diamond studded and gold jewellery for both segment retail as well as wholesale and for the domestic and export markets. The company sells its jewellery under the brand name 'Cygnus Brand'. Laxmi Dia Jewel Pvt Ltd a manufacturing unit having factory at Kandivali Mumbai with the production capacity of 360 Kg gold jewelry.



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Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020	31-03-2021
	Audited	Audited	Provisional
Total Operating Income	215.12	178.93	149.60
EBITDA	9.73	7.22	4.97
PAT	0.61	-0.82	0.38
Tangible Net worth	121.46	120.49	120.87
EBITDA Margin (%)	4.52	4.03	3.32
PAT Margin (%)	0.28	-0.46	0.25
Overall Gearing Ratio (x)	0.60	0.33	0.29

**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	27.00	IVR BB+/ Stable	NA	NA	NA
2.	Term Loan-CCECL	Long Term	2.10	IVR BB+/ Stable	NA	NA	NA
3.	Term Loan-GECL	Long Term	5.43	IVR BB+/ Stable	NA	NA	NA

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.



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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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund based Limits – Cash Credit	-	-	Revolving	27.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Long Term Fund Based Facility – CCECL (O/s)	-	-	March 2023	2.10	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Long Term Fund Based Facility - GECL	-	-	March 2025	5.43	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
Total				34.53	