

## Rating Rationale

**Brickwork Ratings assigns “BWR BB-” for the Bank Loan facilities aggregating ₹ 7.00 Cr. of K.Lakshmana Achari Son Jewellers Pvt.Ltd.(KLASJPL)**

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for the Bank Loan Facilities of ₹ 7.00 crores of K.Lakshmana Achari Son Jewellers Pvt.Ltd (**KLASJPL or ‘the company’**):

Facility	Amount (₹ Cr)	Tenure	Rating
<u>Fund Based</u>			
Cash Credit	5.00	Long Term	<b>BWR BB-</b> (Pronounced BWR BB Minus )
Cash Credit (Proposed)	2.00		<b>Outlook:Stable</b>
<b>Total</b>	<b>7.00</b>		<b>(INR Seven Crores only)</b>

BWR has principally relied upon the audited financial results up to FY15 and projected financials of FY16& FY17 of KLASJPL, publicly available information and information/clarification provided by the company.

The ratings reflect the extensive industry experience of the promoter’s, established relationship with customers and suppliers, long track record of operations, consistent growth in performance and huge potential market for the product. The ratings are, however, constrained by KLASJPL’s modest scale of operations in fragmented industry with high customer concentration in revenues, limited geographical reach and vulnerability of profit margins due to fluctuations in gold prices.

### Background:

KLASJPL was established in 1927 as a proprietorship firm and it was converted as private limited company in April 2012. The company is engaged in the retailing of gold, diamond and silver jewelries and is operating through its showroom located at 87, Kasukadai Bazar, Aruppukottai and other showroom at Katcheri Road, Virudhunagar. In addition to that it is also engaged in purchase and sale of jewellery studded with precious and natural stones. KLASJPL is a first BIS License Holder to sell the Gold Products with the hallmark in the seal name of "LR" in Aruppukottai.

### Management

Mr.L.Rajendra Pandian, Managing Director is a second generation jeweler and has more than 3 decade of experience in the business.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### Financial Performance

KLASJPL reported a profit after tax (PAT) of ₹0.03 Cr. on Net Sales of ₹83.44 Cr. for FY 15 as against profit after tax (PAT) of ₹0.14 Cr. on Net Sales of ₹70.14 Cr. for FY14. The net Profit Margin is stands at 0.04% in FY15. Tangible net worth stood as on March 31, 2015 was ₹3.12 Cr. in FY15. Debt to Equity ratio was 1.72 times in FY 15 as compared to 0.40 times in FY14 due to increase in short term borrowing.

### Rating Outlook

Currently, the outlook remains stable. Going ahead, the ability of the company to increase the scale of operations, improve its gearing level and profitability margins and effective working capital management would be the key rating sensitivities.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.