

Laxmi Goldorna House Limited

September 12, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	10	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Total	10 (Rs. Ten crore only)		

Details of instruments/facilities in Annexure I

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Laxmi Goldorna House Limited (LGO) continues to remain constrained on account of its moderate scale of operations, thin profit margins, weak debt coverage indicators coupled with working capital-intensive nature of its operations. The rating also factors in moderate capital structure as on March 31, 2017. The rating is further constrained on account of its presence in the highly fragmented and competitive nature of industry coupled with risk associated with fluctuation in gold prices.

The rating is, however, derives strength from the experienced and resourceful promoters having diversified business interest.

The ability of LGO to increase the scale of operations with improvement in profitability in light of fluctuating gold prices and efficient working capital management are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations, thin profit margins, weak debt coverage indicators coupled with working capital-intensive nature of its operations

The scale of operation of LGO remained moderate marked by total operating income of Rs.51.48 crore during FY17(Provisional, refers to period April 01 to March 31) and tangible net worth of Rs.3.67crore as on March 31, 2017. The profit margin of LGO remained thin marked by PAT margin of 0.13% during FY17(Provisional) mainly on account of its trading nature of operation. As a result, of its thin profitability, the debt coverage indicators remained weak marked by high ratio of total debt to GCA of 63.17 times as on March 31, 2017. The operation of the LGO remained working capital intensive marked by high ratio of networking capital to total capital employed as on March 31, 2017.

Moderate capital structure

On account of moderate networth base, the capital structure of LGO stood moderate marked by overall gearing ratio of 1.46 times as on March 31, 2017. During 5MFY18 (Provisional), LGO has also infused capital to the extent of Rs.3 crore to improve its solvency position.

Risk associated with fluctuation in gold prices coupled with presence in the highly fragmented and competitive nature of industry

The gold is highly fluctuating commodity. Hence any adverse movement in gold prices impact the profitability of LGO. LGO has its presence in the gold jewellery industry which is highly fragmented in nature with presence of numerous independent small-scale enterprises in unorganized sector as well as organized sector having low entry barriers leading to high level of competition

Key rating strengths

Experienced and resourceful promoters having diversified business interest

Mr Jayeshbhai Shah and Mrs Rupalben Shah are the key promoters of LGO, both the promoters possess more two decades of experience in jewellery industry. The promoters are also managing various entities (belong to 'Laxmi Group') engaged into diversified business i.e. wholesale and retail of gold jewellery, trading and real estate development.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Rating Methodology - Wholesale Trading](#)

[Financial Ratios - Non-Financial Sector](#)

About the company

Ahmedabad (Gujarat) based LGO is a part of 'Laxmi Group' incorporated by Shah Family in the year 2010 as a private limited company. During July 2017 the constitution of LGO has been changed to closely held limited company. LGO is engaged in the business of wholesale and retail trade of gold jewellery and gold and operates from its only showroom located at Manekchowk (Ahmedabad). Mr. Jayeshbhai Shah and Mrs. Rupalben Shah are the key promoter directors of the company. The promoters are also associated with the companies namely Sona hi Sona jewellers (Gujarat) Limited (rated CARE BB-), M/s Laxmi Bulcon, M/s Laxmi Infraspace, M/s Laxmi Infrastructure, M/s Laxmi Developers, Laxmi Jewelers and M/s Jeerawala Association.

Brief Financials (Rs. crore)	FY16(A)	FY17 (Prov.)
Total operating income	46.56	51.48
PBILDT	0.48	0.45
PAT	0.06	0.07
Overall gearing (times)	0.77	1.46
Interest coverage (times)	1.30	1.24

A: Audited; Prov.: Provisional

During Q1FY18 (Provisional), LGO has reported TOI of Rs.23.57 crore.

Status of non-cooperation with previous CRA: ICRA has suspended its rating vide press release dated September 21, 2015, on account of non-cooperation by LGO with ICRA's efforts to undertake a review of the rating outstanding.

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Chintan Soni

Tel: (079) 40265634

Mobile: +91-8511190016

Email: chintan.soni@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades; it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE BB; Stable	1)CARE BB; Stable (02-May-17)	1)CARE BB (25-Jul-16)	1)CARE BB (30-Jul-15)	-

CONTACT**Head Office Mumbai**

Ms. MeenalSikchi
 Cell: + 9198190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. AnkurSachdeva
 Cell: + 9198196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms.RashmiNarvankar
 Cell: + 9199675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 9198209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, PashupatiAkshatHeights, Plot No. D-91,
 Madho Singh Road, NearCollectorateCircle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. PritiAgarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr.Pratim Banerjee
 9th Floor, Pride KumarSenate,
 Plot No. 970, Bhamburda, SenapatiBapat Road,
 ShivajiNagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com