

January 10, 2024

Lalithaa Jewellery Mart Limited: Placed on Rating Watch with Negative Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based	959.0	959.0	[ICRA]A-; Placed on Rating Watch with Negative implications
Non-fund based	241.0	241.0	[ICRA]A-; Placed on Rating Watch with Negative implications
Total	1,200.0	1,200.0	

Rationale

The ratings of Lalithaa Jewellery Mart Limited (LJML) have been placed on Rating Watch with Negative Implications, after ICRA noted a significant rise in the company's contingent liability. Consequent to the income-tax raid, which took place at various locations of LJML including its corporate office and various retail stores between March 4, 2021 and March 7, 2021, tax demand orders have been passed by the Income Tax Department for the Assessment Years 2015-2016 to 2021-2022. Recognition of contingent liability relating to these orders led to a significant rise in their contingent liability to Rs.1,055.7 crore in FY2023 from Rs.163.3 crore in FY2022.

ICRA notes that the company has stated on record that an appeal has been filed before the Commissioner of Income Tax- Appeals against the said tax demand orders. Nevertheless, any adverse outcome related to crystallisation of the said contingent liability may adversely impact the company's liquidity profile. ICRA would continue to closely monitor any further development related to this event and take appropriate rating action, if necessary.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Jewellery (Retail)
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

Incorporated in 1985, LJML manufactures and sells gold and diamond jewellery. In 1999, Mr. Kiran Kumar took over LJML with a single store in Chennai. On January 5, 2024, Lalithaa Jewellery Mart Private Limited was converted to Lalithaa Jewellery Mart Limited. At present, LJML runs 52 showrooms across four South Indian states and one Union Territory.

Key financial indicators (audited)

	FY2022	FY2023
Operating income (Rs. crore)	8,191.9	13,387.9
PAT (Rs. crore)	189.3	232.9
OPBDIT/OI (%)	5.1%	4.0%
PAT/OI (%)	2.3%	1.7%
Total outside liabilities/Tangible net worth (times)	2.0	2.2
Total debt/OPBDIT (times)	2.4	1.8
Interest coverage (times)	3.3	3.7

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Current rating (FY2024)			Chronology of rating history for the past 3 years		
				Date & Rating on		Date & rating in	Date & rating in	Date & rating in	
				Jan 10, 2024	July 19, 2023	FY2023	FY2022	FY2021	
1	Cash Credit	Long term	959.00	-	[ICRA]A-@	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-	-
2	Unallocated	Long term	241.00	-	[ICRA]A-@	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-	-

@: Rating Watch with Negative Implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash Credit	Simple
Long-term Fund based – Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	959.00	[ICRA]A-; Rating Watch with Negative Implications
NA	Unallocated	NA	NA	NA	241.00	[ICRA]A-; Rating Watch with Negative Implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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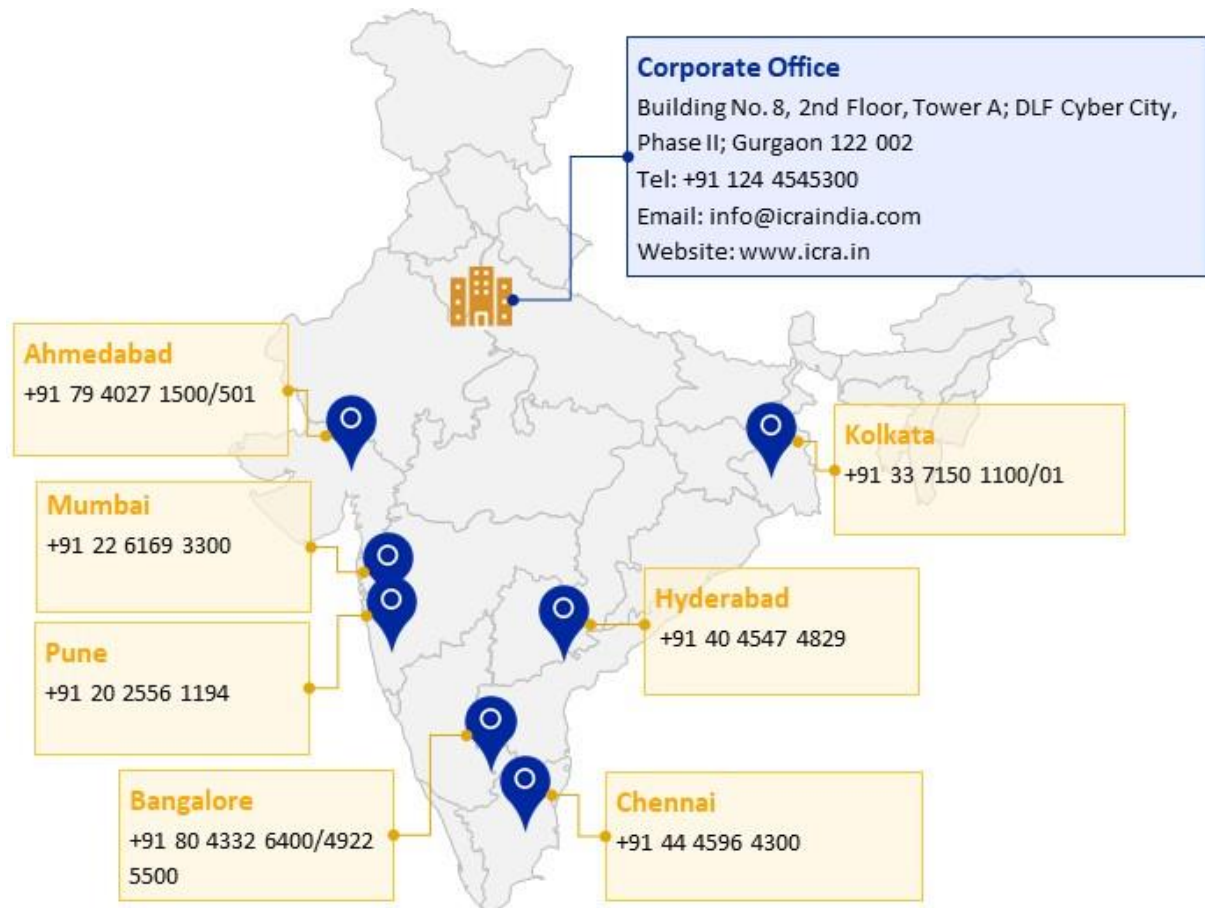
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