



SMERA RATINGS LIMITED

G.N. Bullion Private Limited (GNBPL)**Rating
Rationale****February 04, 2015**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	14.50	SMERA BB/Stable (Assigned)

SMERA has assigned a long-term rating of **'SMERA BB' (read as SMERA double B)** to the Rs.14.50 crore bank facility of G.N. Bullion Private Limited (GNBPL). The outlook is **'Stable'**. The rating draws comfort from the company's experienced management and strong revenue growth. However, the rating is constrained by the company's limited operational track record and low profitability amidst intense competition in the wholesale jewellery business. The rating is also constrained by the company's moderate financial risk profile and working capital-intensive operations. The rating notes that the company's business is susceptible to volatility in gold prices and unfavourable changes in gold import policies.

GNBPL was incorporated in 2009. The company undertakes manufacturing and trading of gold jewellery. GNBPL commenced commercial operations in June 2011. The company outsources processing activity to job workers. GNBPL benefits from its experienced management. Mr. Sanjay Shankar Patil and Mr. Sanjay Verma, directors of the company, have around 15 years of experience in the gems and jewellery industry. GNBPL's operating income has increased from Rs.17.03 crore in FY2011-12 (refers to financial year, April 01 to March 31) to Rs.145.63 crore in FY2013-14. Further, the company reported operating income of Rs.207.03 crore (provisional) during April 2014 to December 2014.

GNBPL has reported low profitability, which is reflected in operating profit margin of 1.41 per cent and net profit margin of 0.35 per cent in FY2013-14. GNBPL faces intense competition from several players in the wholesale jewellery segment. The company's moderate financial risk profile is marked by low net worth of Rs.6.42 crore and total debt-equity ratio of 2.26 times as on March 31, 2014. The company's interest coverage stood at 1.43 times and return on capital employed at 12.86 per cent in FY2013-14.

GNBPL's operations are working capital-intensive. The company's average bank limit utilisation is high at ~93 per cent for the 12 months ended December 31, 2014. GNBPL's profit margins are susceptible to volatility in gold prices. The company's business is also exposed to unfavourable changes in gold import policies.

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Rationale****Rating sensitivity factors**

- Ability to scale up operations while maintaining stable profitability
- Working capital management and bank limit utilisation

Outlook: Stable

SMERA believes GNBPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in profit margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the company

GNBPL, incorporated in 2009, is a Kolkata-based company promoted by Mr. Sanjay Shankar Patil and Mr. Sanjay Verma. GNBPL undertakes manufacturing and trading of gold jewellery. The commercial operations of the company commenced in June 2011. GNBPL outsources the processing activity to job workers. The company deals with domestic jewellery retailers.

For FY2013–14, GNBPL reported profit after tax of Rs.0.51 crore on operating income of Rs.145.63 crore, as compared with profit after tax of Rs.0.30 crore on operating income of Rs.64.12 crore in the previous year. Further, the company reported operating income of Rs.207.03 crore (provisional) during April 2014 to December 2014. GNBPL's net worth stood at Rs.6.42 crore as on March 31, 2014, as compared with Rs.5.92 crore a year earlier.

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