

February 01, 2016

Facility	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>14.50</b>	<b>SMERA BB/Stable (Reaffirmed)</b>

SMERA has reaffirmed the 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 continues to draw comfort from the company's experienced management. However, the rating continues to remain 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.

### Update

For FY2014-15, GNBPL reported profit after tax of Rs.0.65 crore on operating income of Rs.226.12 crore, as compared with profit after tax of Rs.0.51 crore on operating income of Rs.145.63 crore in the previous year. However, the company reported operating income of Rs.90.00 crore (provisional) during April-December 2015. GNBPL is expected to report revenues of Rs.145-150 crore in FY2015-16 (mainly on account of discontinuation of bullion trading activity).

GNBPL's EBITDA margin has declined to 0.98 per cent in FY2014-15 from 1.41 per cent in the previous year. However, the EBITDA margin is expected to improve going forward with foray into higher margin products.

GNBPL has maintained its moderate financial risk profile. The company's net worth stood at Rs.7.07 crore, whereas debt-equity ratio stood at 2.04 as on March 31, 2015. The interest coverage ratio stood at 1.54 times in FY2014-15.

### 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.

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