

B. N. Jewellers (BNJ)

B. N. Jewellers: Reaffirmed

Name of the Instrument	Amount (Rs Crore)	Rating/Outlook
Cash Credit	25.00 (Revised from 20.00)	SMERA BBB-/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the above mentioned bank facilities of B. N. Jewellers (BNJ). The outlook is '**Stable**'. The rating continues to be supported by the firm's experienced management, reputed clientele and comfortable debt-protection metrics. The rating also draws comfort from the efficient working capital management. However, the rating is constrained by the firm's limited financial flexibility, susceptibility of profit margins to volatility in gold prices and intense market competition.

BNJ, established in 1989, is a Mumbai-based partnership firm engaged in the manufacture of gold, platinum jewellery and diamond-studded ornaments. The firm benefits from its experienced management. Mr. Babulal Rawal, Partner, has around 35 years of experience in the gems and jewellery industry. BNJ deals with reputed retailers such as Joyalukkas, Kalyan Jewellers, Titan among others.

Update

For FY2014–15 (refers to financial year, April 01 to March 31), BNJ registered net profit of Rs.4.01 crore on operating income of Rs.306.31 crore. As per provisional data for FY2015-16, BNJ booked revenue of Rs.227.33 crore and net profit of Rs.1.88 crore in FY2015-16.

BNJ's debt-protection metrics continues to remain healthy with interest coverage ratio (ICR) of 2.77 times and debt service coverage ratio (DSCR) of 2.32 times as on March 31, 2016 (Provisional). The firm's leverage (debt-to-capital ratio) stood at 0.85 times as on March 31, 2016.

Further, BNJ plans to install 23 machines for cutting, designing and polishing of platinum jewellery. The total project cost is estimated to be Rs. ~9.00 crore out of which Rs. ~2.00 crore is to be funded by partners and the balance through a term loan. These machines are expected to be functional by Oct–Nov 2016 and contribute around 10-15 per cent growth in revenues.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Deterioration in the financial risk profile
- Efficient working capital management

Outlook-Stable

SMERA believes that BNJ will maintain a stable outlook over the medium term and continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' if the firm registers sustained growth in revenues while achieving substantial improvement in profit margins and net worth. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

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Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

BNJ is a Mumbai-based partnership firm promoted by Mr. Babulal Rawal. The firm undertakes manufacturing of gold, platinum jewellery and diamond-studded ornaments at its processing unit at Kalbadevi, Mumbai. The overall operations are managed by Mr. Babulal Rawal, Mr. Kalpesh Babulal Rawal and Mr. Nirmal Babulal Rawal.

For FY2015–16 (Provisional), the firm reported profit after tax (PAT) of Rs.1.88 crore on operating income of Rs.227.33 crore, as compared with net profit of Rs.4.01 crore on operating income of Rs.306.31 crore in FY2014–15. The net worth stood at Rs.27.37 crore as on March 31, 2016 as compared with Rs.21.39 crore, a year earlier.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating	Rating/Outlook
			Long Term	
15 Apr, 2015	Cash Credit	20.00	SMERA BBB- (Assigned)	Stable
	Cash Credit (Proposed)	5.00	SMERA BBB- (Assigned)	Stable

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ABOUT SMERA

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