

Press Release

B. N. Jewellers

16 October, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	SMERA BBB-/Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) on the Rs. 28.00 crore bank facilities of B N Jewellers. The outlook is '**Stable**'.

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

Key Rating Drivers

Strengths

• Experienced management

The firm was promoted by Mr. Babulal Rawal, Mr. Nirmal Rawal and Mr. Kalpesh Rawal who possess extensive experience in the diamond industry. Mr. Babulal Rawal possesses industry experience of around four decades and the second tier management, i.e., Mr. Nirmal Rawal and Mr. Kalpesh Rawal possess experience of about two decades. The promoters have been able to forge long term relations with customers and suppliers.

• Healthy financial riskprofile

The financial risk profile of BNJ is healthy marked by net worth (including Quasi Equity) of Rs.39.01 crore as on 31 March, 2017 compared to Rs.33.02 crore as on 31 March, 2016. The net worth includes quasi equity of Rs.6.69 crore as on 31 March, 2017. The gearing stood comfortable at 0.76 times as on 31 March, 2017 as compared to 0.50 times as on 31 March, 2016. The marginal increase in gearing is due to the capex undertaken by the firm. The total debt of Rs.29.84 crore as on 31 March, 2017 consists of long term debt of Rs.6.01 crore and working capital facility of Rs.23.83 crore. The Interest coverage ratio stood at 5.34 times for FY2016-17 compared to 2.16 times for FY2015-16. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.10 times as on 31 March, 2017. The EBIDTA margin improved from 2.31 per cent for FY2015-16 to 6.50 percent for FY2016-17. The Profit after tax stood at 2.83 percent for FY2016-17 as against 0.68 percent for FY2015-16. The increase in margins is majorly on account of introduction of new products with high margins. Further, SMERA believes that the financial risk profile will remain healthy considering that the firm does not have plans for a major debt funded capex in the near future.

Weaknesses

• Working capital intensiveoperations

The operations are working capital intensive marked by Gross Current Asset (GCA) of 92 days for FY2016-17 compared to 72 for FY2015-16. The increase in GCA is due to increase in inventory days

from 49 for FY2015-16 to 63 for FY2016-17. The debtor days stood comfortable at 29 for FY2016-17 as against the firm's policy of 90 days. Further, the working capital limit utilisation has been ~80 percent for the last three months ended August 2017.

• **Profitability susceptible to fluctuations in raw material prices**

Around 50.00 per cent raw materials are imported from Dubai and London. Hence, the profit margins are exposed to fluctuations in raw material prices.

• **Risk of capital withdrawal**

The financial risk profile is susceptible to the inherent risk of capital withdrawal considering its partnership constitution. However, SMERA has not observed the same during the period under study.

• **Intense competition**

The gems & jewellery (G&J) industry is characterised by a large number of organised and unorganised players resulting in intense market competition.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

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.

About the Rated Entity - Key Financials

For FY2016-17, the firm reported profit after tax (PAT) of Rs.6.71 crore on operating income of Rs.236.87 crore as against net profit after tax (PAT) of Rs.1.53 crore on operating income of Rs.226.16 crore a year earlier. The net worth (including Quasi Equity) stood at Rs.39.01 crore as on 31 March, 2017, compared with Rs.33.02 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Jun-2016	Cash Credit	Long Term	INR 25	SMERA BBB- / Stable (Reaffirmed)

15-Apr-2015	Cash Credit	Long Term	INR 20	SMERA BBB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	INR 5	SMERA BBB- / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00	SMERA BBB- / Stable

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ABOUT SMERA

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