

Press Release

B. N. Jewellers

December 27, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Upgraded from ACUITE BBB- /Stable)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) from **ACUITE BBB- (read as ACUITE triple B minus)** to the Rs. 28.00 crore bank facilities of B. N. Jewellers (BNJ). The outlook is 'Stable'.

The upgrade in rating is reflected in continuous scaling up of operations, while sustaining improvement in working capital management and maintaining debt protection metrics. The operations of the firm grew ~37 percent in FY2018 with operating income of Rs.324.43 crore as against Rs.236.88 crore. The overall Gross Current Asset (GCA) days stood at 75 in FY2018 as against 98 in FY2017. Further, the gearing decreased to 0.49 times in FY2018 as against 0.60 times in FY2017. Acuité believes the firm to continue its growth in revenues on back of continues orders from existing customers, while addition of new customers. Going forward, the debt protection metrics of the firm are also expected to remain at same range.

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 Andheri in Mumbai (Maharashtra). The overall operations are managed by Mr. Babulal Rawal, Mr. Kalpesh Babulal Rawal and Mr. Nirmal Babulal Rawal.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of BNJ to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters possess extensive experience in the diamond and jewellery industry. Mr. Babulal Rawal possesses industry experience of around four decades. Mr. Babulal Rawal is supported by second tier management, i.e., Mr. Nirmal Rawal and Mr. Kalpesh Rawal possess industry experience of around two decades. The promoters have been able to forge long term relations with customers and suppliers. Acuité believes the firm will benefit from its established position in the Jewellery industry, experienced management and established relationships with customers and suppliers.

- **Healthy financial risk profile**

The financial risk profile of BNJ is healthy backed by healthy net worth, and improving coverage indicators and debt protection metrics of the firm. The net worth stood at Rs.37.98 crore as on 31 March, 2018 as compared to Rs.39.01 crore as on 31 March, 2017. The net worth includes quasi equity of Rs.6.29 crore as on 31 March, 2018. Gearing (debt-equity) stood comfortable at 0.64 times as on 31 March, 2018 as compared to 0.74 times as on 31 March, 2017. The total debt of Rs.28.27 crore as on 31 March, 2018 consists of long term debt of Rs.6.01 crore and working capital facility of Rs.28.27 crore. Interest Coverage Ratio (ICR) stood at 4.23 times for FY2017-18 as compared to 3.83 times for FY2016-17. The total outside liabilities to tangible net worth (TOL/TNW) stood comfortable at 1.02 times as on 31 March, 2018. Further, Acuité believes that the financial risk profile will remain healthy in the absence of major debt funded capex plan and backed by healthy net cash accruals.

- **Comfortable working capital cycle**

The working capital cycle of BNJ is comfortable at 75 days in FY2018 as against 98 days in FY2017. The inventory holding period has decreased to 40 days in FY2018 from 63 days in FY2017. The receivable days are also comfortable at 30 days in FY2018 as against 29 days in FY2017. The average bank limit utilisation stood at ~80 percent for the last six months ended November 2018. Acuité believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Weaknesses

- **Profitability susceptible to raw material prices**

BNJ imports raw materials from Dubai and London which accounts for ~50.00 percent of total purchases. Hence, the profit margins are exposed to fluctuations in raw material prices.

- **Partnership constitution**

BNJ's financial risk profile is susceptible to inherent risk of capital withdrawal considering the partnership constitution of the firm. However, Acuité has not observed the same during the period under study.

- **Strong competition from large number of players in the organised and unorganised sector**

The gems & jewellery (G&J) industry is characterised by a large number of organised and unorganised players and intense competition resulting in pressure on margins. The cut and polished diamond industry in India is highly fragmented with numerous organised and unorganised players. Acuité believes that larger players will benefit from the healthy relationships with their geographically diversified clientele.

Outlook: Stable

Acuité 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 or improvement in financial risk profile and liquidity position. 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	324.43	236.88	226.16
EBITDA	Rs. Cr.	13.44	15.40	5.22
PAT	Rs. Cr.	8.27	6.76	1.53
EBITDA Margin	(%)	4.14	6.50	2.31
PAT Margin	(%)	2.55	2.85	0.68
ROCE	(%)	17.85	17.20	9.39
Total Debt/Tangible Net Worth	Times	0.49	0.61	0.50
PBDIT/Interest	Times	4.23	3.83	2.16
Total Debt/PBDIT	Times	1.58	2.15	3.14
Gross Current Assets (Days)	Days	75	98	80

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Oct-2017	Cash Credit	Long Term	28.00	ACUITE BBB- / Stable (Reaffirmed)
28-Jun-2016	Cash Credit	Long Term	25.00	ACUITE BBB- / Stable (Reaffirmed)
15-Apr-2015	Cash Credit	Long Term	20.00	ACUITE BBB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE 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	ACUITE BBB / Stable (Upgraded from ACUITE BBB-)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Salome Farren Analyst - Rating Operations Tel: 02249294025 salome.farren@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.