

Press Release

B. N. Jewellers

February 14, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 32.50 Crore (Enhanced from Rs. 28.00 crore)
Long Term Rating	ACUITE BBB/Stable (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 28.00 crore and assigned '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 4.50 crore bank facilities of B. N. Jewellers (BNJ). The outlook is 'Stable'.

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

Acuite 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. Acuite believes that 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, Acuite 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. Acuite 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, Acuite 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. Acuite believes that larger players will benefit from the healthy relationships with their geographically diversified clientele.

Liquidity Profile

BNJ has comfortable liquidity profile marked by healthy net cash accruals of about Rs.22.89 crore during FY2016-18. The firm has short long term debt obligations of Rs. 21.59 crore in FY2018. The cash accruals of the firm are estimated to remain between Rs.6.00 – 9.00 crore in the near to medium term, while its repayment obligations are estimated to be Rs. ~0.50 crore in the medium term, as the firm has undertaken debt funded capital expenditure in the medium term. The firm's working capital operations are high as marked by Gross Current Asset (GCA) days of 75 in FY2018. The firm had unencumbered cash and bank balances of Rs. 4.46 crore as on March 31, 2018. The current ratio of the firm stood moderate at 1.68 times as on March 31, 2018. Acuite believes that the liquidity of the firm is likely to remain comfortable over the medium term on account of healthy cash accruals and low debt repayments and GCA days over the medium term.

Outlook: Stable

Acuite 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	9.99
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
27-Dec-2018	Cash Credit	Long Term	28.00	ACUITE BBB/ Stable (Upgraded)
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	32.50 (Enhanced form Rs. 28.00 crore)	ACUITE BBB / Stable (Reaffirmed and Assigned)

Contacts

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About Acuité Ratings & Research:

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