

Press Release

B. N. Jewellers

June 15, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 32.50 Crore
Long Term Rating	ACUITE BBB/ Outlook: Negative (Reaffirmed: Outlook revised)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs.32.50 crore bank facilities of B N JEWELLERS (BNJ). The outlook is revised to '**Negative**' from '**Stable**'.

Outlook Revised to Negative

The revision in outlook is majorly on account of outbreak of Novel Coronavirus (COVID – 19) which has led to lockdown situation across the country. This is expected to slowdown in the discretionary spending of the consumer which is expected to directly impact the players in gems and jewellery industry. The demand in the gems and jewellery industry is expected to be subdued in the near to medium term and attaining normalcy would be a longer and a gradual process as compared to other industries. Against this backdrop, the firm's operational performance will be impacted for at least two to three quarters even in the event of the timely resumption of operations post the lockdown period. Acuité believes that the revenues, profitability and working capital cycle of the firm is expected to be impacted by the slowdown in the sector. Further, maintaining healthy liquidity and its working capital management will remain a key monitorables.

Outlook: Negative

Acuité has revised the outlook of BNJ to 'Negative' on ongoing challenges in in Gems and Jewellery industry coupled with impact on discretionary spending of the consumer on account of outbreak of COVID – 19. The outlook may be revised to 'Stable' in case the firm demonstrated ability to maintain its healthy liquidity profile along with revenues, profitability and working capital cycle. Conversely, the rating may be downgraded in case of any deterioration in working capital management and/or higher-than-expected decline in revenues or profitability of the firm leading to deterioration in the financial risk profile and liquidity position.

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 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 and long track record of operation.**

BNJ is a Mumbai-based partnership firm established in 1989. The firm has an operational track record of over 3 decades in the industry. The promoters possess extensive experience in the gems 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 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, coverage indicators and debt protection metrics of the firm. The net worth stood at Rs.47.61 crore (includes quasi equity of Rs.6.84 crore) as on 31 March, 2019 as compared to Rs.44.27 crore (includes quasi equity of Rs.6.29 crore) as on 31 March, 2018. The gearing (debt-equity) stood comfortable at 0.63 times as on 31 March, 2019 as compared to 0.49 times as on 31 March, 2018. The total debt of Rs.30.10 crore as on 31 March, 2019 consists of long term debt of Rs.2.32 crore and short term debt of Rs.27.78 crore. Interest Coverage Ratio (ICR) stood at 3.05 times for FY2019 as compared to 4.23 times for FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood comfortable at 0.93 times as on 31 March, 2019 as against 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 in the near to medium term.

• **Efficient working capital management**

The working capital cycle of BNJ is efficient marked by Gross Current Asset (GCA) days of around 82 days in FY2019 as against 75 days in FY2018. The inventory holding period stood at 44 days in FY2019 as against 40 days in FY2018. The debtor days are also comfortable at 37 days in FY2019 as against 30 days in FY2018. The average bank limit utilisation stood at ~79 percent for the last six months ended March 2020. Acuite believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Weaknesses

• **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: Adequate

BNJ has adequate liquidity profile marked by net cash accruals in the range of Rs.6.00-10.00 crores in FY2019-FY2017 against repayment obligations of Rs.2.32 crores in the FY2019. The net cash accruals are expected to remain in the range of Rs.4.00-7.00 crores through FY2020-22 as against no repayment obligations. The firm's working capital operations are efficient marked by Gross Current Asset (GCA) days of 82 in FY2019 as against 75 days in FY2018. The average bank limit utilisation stood at ~79 percent for the last six months ended March 2020. The firm had unencumbered cash and bank balances of Rs.1.03 crore as on March 31, 2019. The current ratio of the firm stood moderate at 1.84 times as on March 31, 2019. Acuite believes that the liquidity of the firm is likely to remain comfortable over the medium term on account of moderate cash accruals with no debt repayments and comfortable GCA days over the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	333.63	324.43
PAT	Rs. Cr.	3.68	8.26
PAT Margin	(%)	1.10	2.55
Total Debt/Tangible Net Worth	Times	0.63	0.49
PBDIT/Interest	Times	3.05	4.23

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Feb-2019	Cash Credit	Long Term	32.50 (Enhanced from Rs.28.00 crore)	ACUITE BBB/ Stable (Reaffirmed and Assigned)
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	ACUITE BBB / Negative (Reaffirmed and Outlook revised)

Contacts

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