

Press Release

28 December, 2017



BELLA JEWELRY PRIVATE LIMITED (BJPL)

Rating Assigned

Total Bank Facilities Rated *	Rs.7.50 cr
Short Term Rating	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 7.50 crore bank facilities of BELLA JEWELRY PRIVATE LIMITED (BJPL).

BJPL was established as a partnership firm in 2004 and converted to private limited in 2007. The company, promoted by Mr. Dauji Johari, Mr Sharadkumar Johari and Ms Prabha Johari is engaged in the manufacture and export of diamond studded gold jewellery. The company exports its jewellery to USA.

Key Rating Drivers

Strengths

Experienced management

BJPL was promoted by Mr. Dauji Johari, Mr Sharad Johari and others who possess decades of experience in the aforementioned business. This has helped build healthy relations with customers and suppliers.

Above average financial risk profile

The networth stood at Rs.10.10 crore as on 31 March, 2017 (Provisional) against Rs.9.21 crore as on 31 March, 2016. The gearing (debt-to-equity) stood at 0.77 times as on 31 March, 2017 against 0.90 times in the previous year. The total debt of Rs.7.73 crore comprises working capital borrowings. The Interest Coverage ratio (ICR) stood at 1.52 times for FY2017 (Provisional) against 1.44 times for FY2016. Further, NCA/TD stood at 0.05 times for FY2017 (Provisional) and 0.04 times for FY2016.

Weaknesses

Small scale of operations

The scale of operations is small. The company registered operating income of Rs.10.40 crore for FY2017 (Provisional) against Rs.14.54 crore for FY2016 and Rs.17.61 crore for FY2015.

Working capital intensive operations

BJPL has working capital intensive operations marked by Gross Current Assets (GCA) of 857 days for FY2017 (Provisional) against 502 days for FY2016. This is mainly on account of inventory days of 401 and debtor days of 456 for FY2017 (Provisional). The Inventory days are high because of stock of jewellery and diamonds that need to be maintained for display. Further, working capital limit remains fully utilised for the past six months ended October, 2017.

Susceptibility of profit margins to volatility in gold prices

The profit margins are susceptible to fluctuations in the prices of gold. Since the company largely derives its revenue from export sales, the profitability is also susceptible to fluctuations in forex rates for the unhedged portion.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of BJPL to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	10.40	14.54	17.61
EBITDA	Rs. Cr.	1.16	1.23	1.24
PAT	Rs. Cr.	0.10	0.00	-0.05
EBITDA Margin (%)	(%)	11.16	8.45	7.05
PAT Margin (%)	(%)	0.97	-0.02	-0.29
ROCE (%)	(%)	4.92	5.44	5.38
Total Debt/Tangible Net Worth	Times	0.77	0.90	0.88
PBDIT/Interest	Times	1.52	1.44	1.41
Total Debt/PBDIT	Times	6.58	6.62	6.21
Gross Current Assets (Days)	Days	820	480	399

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

CRISIL Ratings in its press release dated May 31, 2017 inter alia has stated the following: Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of Bella Jewelry Private Limited. This restricts CRISIL's ability to take a forward looking view on the credit quality of the entity. CRISIL believes that the information available for Bella Jewelry Private Limited is consistent with 'Scenario1' outlined in the 'Framework for Assessing Consistency of Information with Crisil B Rating category or Lower.' Based on the last available information, CRISIL has reaffirmed the rating at CRISIL D.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacture.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

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
FBN/FBP/FBD/PSFC/FBE*	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4

*Within which sublimit of Direct Bills, Packing Credit, and Gold Loan limits having 100% interchangeability.

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ABOUT SMERA

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