

Press Release

Bella Jewelry Private Limited

January 08, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs.7.50 crore
Short Term Rating	ACUITE D

* Refer Annexure for details

Rating Rationale

Acuité has downgraded short term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE A4**' (**read as ACUITE A four**) to 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 only to USA.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

The Promoters possess over a decade of experience in the aforementioned business. This has helped in building healthy relationships with customers and suppliers.

Weaknesses

Delay in debt servicing

The rating reflects delays in servicing of debt obligations. There have been continuous over drawings of more than 30 days in Packing Credit account for the month of December, 2018. The company is currently classified as a Special Mention Account (SMA 1) by the bankers.

Small scale of operations with declining trends in operating income

BJPL has recorded operating income of Rs.7.92 crore for FY2018 against operating income of Rs.10.69 crore for FY2016 and Rs.14.54 crore for FY2015. Operating income has declined mainly on account of discontinuance of business with one of the major revenue generating customer. The reason for discontinuance of business is due to delays in receivable from that customer. Thus, the company started targeting other customers and it has presently registered revenues of Rs. 7.50 crore from April to December, 2018.

Working capital intensive nature of operations

BJPL has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 982 days for FY2018 against 764 days for FY2017. This is mainly on account of stretched debtor days and piled up inventory stock of 557 days and 496 days respectively for FY2018. Further, packing credit is overdue in the month of December by Rs.1.54 crore.

Susceptibility of profit margins to volatility in gold prices

The gold prices have a very fluctuating trend. Since the company manufactures gold jewelry, its profitability and operating margins remains susceptible to volatility in gold prices. Further, BJPL derives over 100.00 percent of its revenues from export sales; hence, the profits are susceptible to fluctuation in forex rates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.92	10.69	14.54
EBITDA	Rs. Cr.	(0.62)	1.16	1.23
PAT	Rs. Cr.	(1.21)	0.11	(0.00)
EBITDA Margin	(%)	(7.80)	10.84	8.45
PAT Margin	(%)	(15.24)	1.06	(0.02)
ROCE	(%)	(2.47)	5.25	5.44
Total Debt/Tangible Net Worth	Times	2.86	2.48	2.49
PBDIT/Interest	Times	(0.32)	1.62	1.44
Total Debt/PBDIT	Times	(48.42)	10.81	9.98
Gross Current Assets (Days)	Days	982	764	480

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

None

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)	Rating Outlook
28-Dec-2017	FBN/FBP/FBD/PSFC/FBE*	Short Term	7.50	ACUITE A4 (Assigned)

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

*Annexure – Details of instruments rated

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

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

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About Acuité Ratings & Research:

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