

Press Release

B. N. Jewellers India Private Limited (Erstwhile B. N. Jeweller:

August 31, 2021

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.32.50 Cr bank facilities of B. N. Jewellers India Private Limited (BJPL). The outlook is revised to '**Stable**' from '**Negative**'.

Reason for Revision in Outlook

The revision in the outlook to 'Stable' from 'Negative' reflect the improvement in the operating and profitability margins in FY2021 (Provisional), moderate financial risk profile, adequate liquidity position marked by adequate cash accruals against moderate repayment obligations and health order book position providing adequate revenue visibility over the medium term. Coupled to that, the company is also undertaking capex by importing machines from Italy, Japan, etc. which will further result in increase in the installed capacity and improvement of revenues and margins going forward.

About the Company

Mumbai-based, B. N. Jewellers, was established as a proprietorship firm in 1989 by Mr. Babulal Rawal. It was reconstituted as a partnership firm in the year 2004. Further, the partnership firm was converted into a private limited company on May 21, 2021. Currently, the day-to-day operations of the entity are managed by Mr. Babulal Rawal and his two sons i.e. Mr. Kalpesh Rawal and Mr. Nirmal Rawal. The company undertakes manufacturing of gold, platinum jewellery and diamond-studded ornaments at its processing unit at Andheri in Mumbai (Maharashtra) with an installed capacity of 500 kgs per annum. The company is also involved in trading to the extent of 10%. Export accounts for 10-20% of the total sales and the company exports to countries such as Singapore, Gulf countries, America, United Kingdom, Malaysia, Hong Kong and Nairobi.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of BJPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

B. N. Jewellers, was established as a proprietorship firm in 1989 by Mr. Babulal Rawal. It was reconstituted as a partnership firm in the year 2004. Further, the partnership firm was converted into a private limited company on May 21, 2021. The company 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 who possess industry experience of around two decades. The company deals with reputed jewellery retailers like Tanishq, Joyalukkas, Kalyan Jewellers, Titan, PNG, Malabar Gold, Senco Gold, Tribhovandas Bhimji Zaveri, Tara Jewels and others. The extensive experience coupled with long track record of operations has enabled the company to forge long term relations with customers and suppliers.

Acuite believes that the experience of the management in the industry is likely to favorably impact the business risk profile of the company over the near to medium term.

- Moderate financial risk profile**

The financial risk profile of BJPL is moderate marked by low gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. The gearing stood at 0.60 times as on March 31, 2021 (Provisional) against 0.50 times as on March 31, 2020 on account of plough back

of profits to reserves. TOL/TNW stood at 0.81 times as on March 31, 2021 (Provisional) against 0.66 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.57.03 crore (includes quasi equity of Rs.7.19 crore) as on March 31, 2021 (Provisional) against Rs.52.09 crore (includes quasi equity of Rs.6.99 crore) as on March 31, 2020. The total debt majorly includes short term debt of Rs.28.86 crore and covid loan (GECL-WCTL) of Rs.5.36 crore as on March 31, 2021 (Provisional). Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 3.12 times and 0.22 times respectively in FY2021 (Provisional); while DSCR stood at 2.50 times in FY2021 (Provisional).

The company has also been sanctioned FCNR Term Loan of Rs.5.23 crore in July, 2021 and will be disbursed in August, 2021. The repayment is expected to be completed by August, 2025. This term loan is sanctioned for the purpose of importing machineries.

Acuite believes that the financial risk profile of the company is expected to remain moderate on account of modest net worth backed by healthy cash accruals vis-à-vis moderate debt repayment obligations and comfortable debt protection metrics.

Weaknesses

• Moderately working capital intensive operations

BJPL's working capital operations are moderately intensive marked by Gross Current Asset days (GCA) of 103 days in FY2021 (Provisional) against 81 days in FY2020. The inventory days stood at 59 days in FY2021 (Provisional) against 46 days in FY2020 which is corresponding to normal terms. The company maintains an inventory holding policy of around 2-4 months to cater to spot orders. The debtors' days stood at 45 days in FY2021 (Provisional) against 37 days in FY2020 which is corresponding to the normal terms with the customers. However, working capital bank lines remained utilized at ~86.52 percent for last trailing 6 months ended July, 2021.

Acuite believes that the company's ability to maintain its working capital efficiently will remain critical to maintain a stable credit profile.

• Strong competition from large number of players in the organized and unorganized sector

The gems & jewellery (G&J) industry is characterized by a large number of organized and unorganized players and intense competition resulting in pressure on margins. The G & J industry in India is highly fragmented with numerous organized and unorganized players.

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

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity: Adequate

BJPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.6.06 crore – Rs.10.40 crore during the last four years through FY2018-21 against nil repayment obligations during the same period. It is expected to generate cash accruals in the range of Rs.9.99 crore – Rs.16.21 crore over the medium term, against moderate repayment obligations in the range of Rs.0.90 crore – Rs.3.60 crore. Unencumbered cash and bank balances stood at Rs.1.27 crore as on March 31, 2021 (Provisional) with a current ratio of 2.22 times in the same period. The working capital limits remained utilized at ~86.52 percent for last trailing 6 months ended July, 2021.

Acuite believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuite believes that BJPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	302.29	320.38
PAT	Rs. Cr.	5.33	4.55
PAT Margin	(%)	1.76	1.42
Total Debt/Tangible Net Worth	Times	0.60	0.50
PBDIT/Interest	Times	3.12	2.78

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>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.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
15-Jun-2020	Cash Credit	Long Term	32.50	ACUITE BBB/ Negative (Reaffirmed)
14-Feb-2019	Cash Credit	Long Term	32.50	ACUITE BBB/ Stable (Reaffirmed)
27-Dec-2018	Cash Credit	Long Term	28.00	ACUITE BBB/ Stable (Upgraded)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Yes Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	32.50*	ACUITE BBB/ Stable (Reaffirmed; Outlook revised from Negative)

Note: The Company has been sanctioned cash credit facility of Rs.35.00 crore but it utilizes only Rs.32.50 crore. So, the client wants only Rs.32.50 crore to be rated.

*Includes WCDL of Rs.35.00 crore, Pre-shipment Credit of Rs.7.50 crore, Post-shipment Credit of Rs.15.00 crore, Bank Guarantee of Rs.10.00 crore and Standby Letter of Credit of Rs.10.00 crore as sublimit of Cash Credit. Gold loan of Rs.24.50 crore is also a sublimit of cash credit facility.

Contacts

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About Acuité Ratings & Research:

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