

Press Release

B. N. Jewellers India Private Limited (Erstwhile B. N. Jewellers)

December 15, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	52.50	ACUITE BBB Positive Assigned	-
Bank Loan Ratings	32.50	ACUITE BBB Positive Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	85.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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 and assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) on the Rs. 52.50 Cr bank facilities of B N Jewellers India Private Limited. The Outlook is '**Positive**' .

Rationale for rating reaffirmed and assigned

The rating is reaffirmed and assigned on account of the improvement in operating performance of BNJIPL in H1FY23. BNJIPL's operating income stood at Rs. 302 Cr in H1FY2023 i.e. ~86% of its total income in FY2022. The Company is expecting to generate a revenue of ~Rs.600 Cr by year end. The growth in revenue is driven by an overall growth in demand recorded by the industry during this period and increased inhouse manufacturing capacity and improvisation in its manufacturing process. As per GJEPC reports, gold jewellery exports recorded positive growth during the period April-September, 2022 and grew by 17.62 % to US\$ 4956.38 million in comparison with US\$ 4213.95 million registered in April-September 2021. BNJIPL' financial risk profile continues to remain moderate marked by moderate network, moderate gearing coupled with comfortable debt protection metrics and coverage indicators. Acuite believes that healthy revenue growth coupled with higher operating margins is likely to lead to improvement in the financial risk profile of the Company over the medium term. Acuite will continue to monitor the sustenance of the growth demonstrated by the Company over the near term, while ensuring a balanced working capital cycle, particularly the receivables.

About the Company

Mumbai based B N Jewellers India Pvt Ltd (BNJIPL) was established as a proprietorship in 1989 by Mr.Babulal Rawal. It was reconstituted as a partnership firm in the year 2004. The partnership firm was converted into a private limited company in May ,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 and platinum jewellery and diamond-studded ornaments at its processing unit at Andheri in Mumbai (Maharashtra). The Company caters to both domestic as well as export markets.

Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of BNJIPL 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. Mr. Babulal Rawal possesses extensive industry experience of around four decades. He is well supported by his sons Mr. Nirmal Rawal and Mr. Kalpesh Rawal who have been involved in the business for over 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.

The Company during the period H1FY2023 improvised its manufacturing process. It imported and installed a specialised machinery which has aided it to increase its production output. The revenue of the Company stood at Rs. 302 Cr in H1FY2023 i.e. ~86% of its total income in FY2022. The Company is expected to generate a revenue of ~Rs.600 Cr by year end. The growth is driven by both increase in production capacities and overall increase in demand witnessed by the industry. The operating income stood at Rs. 351.61 Cr in FY2022 as against Rs. 302.76 Cr in FY2021.

Acuité 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**

BNJIPL has a moderate financial risk profile marked by moderate networth, moderate gearing and comfortable debt protection metrics. The tangible networth stood at Rs. 50.59 Cr as on March 31, 2022 as against Rs. 56.59 Cr as on March 31, 2021. The networth decreased primarily because of change in constitution to a private limited entity from partnership firm during the year. An amount of Rs. 14.59 Cr was reclassified as Unsecured Loans from Partner's capital during the conversion. The promoters have undertaken to maintain Rs.35 Cr in the business and are under process to subordinate it to bank debt. Thus, considering the same as quasi equity, the company's overall gearing stood at 1.08 times as on March 31, 2022 as against 0.60 times as on March 31, 2021. The total debt stood at Rs.54.80 Cr as on March 31, 2022 which included Rs. 31.73 Cr of short term bank borrowings, Rs. 8.48 Cr of long term borrowings and Rs. 14.59 Cr of unsecured loan from directors and promoters. The Total Outside Liabilities to Tangible Net worth ratio stood at 1.47 times as on March 31, 2022 as against 0.85 times as on March 31, 2021. The debt protection metrics of the Company is comfortable marked by interest coverage of 3.43 times for FY22 as against 4.85 times for FY21. The NCA to Total Debt stood at 0.18 times for FY22 as against 0.22 times for FY21. The Debt to EBITDA stood at 3.07 times for FY2022 as against 2.52 times in FY21.

Acuité believes BNJIPL's financial risk profile will remain moderate over the medium term in absence of any major debt-funded capex plan.

Weaknesses

• Working capital intensive nature of operations

BNJIPL's operations continue to remain working capital intensive in nature marked by gross current asset (GCA) days of 111 days as on March 31, 2022 as against 108 days as on March 31, 2021. The GCA days are driven by high inventory and debtor days. The inventory days stood at 69 days as on March 31, 2022 as against 58 days as on March 31, 2021. The debtor days stood at 39 days as on March 31, 2022 as against 47 days as on March 31, 2021. However, the company's reliance on bank lines to fund its working capital requirement continues to remain high, marked by average bank limit utilization of its fund based facility of 90-92 percent during the six months ended October, 2022. The creditor days stood at 18 days as against 12 days as on March 31, 2021.

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

Rating Sensitivities

- Sustenance of Growth in revenue and 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 Position: Adequate

The liquidity of the company is adequate marked by comfortable cash accruals as against debt repayment obligations. BNJIPL generated net cash accruals of Rs. 9.80 Cr and Rs.7.52 Cr in FY22 and FY21 respectively while its repayment obligations stood negligible during the same period. The cash accruals of the Company are expected to remain in the range of Rs.15-19 Cr over the medium term against debt repayment obligations of Rs. 1-4 Cr for the same period. The business of the BNJIPL is working capital intensive with gross current asset (GCA) days of around 111 days in FY22. The average bank limit utilization of its fund based facility for the six months ended October, 2022 stood at ~90-92 percent. The unencumbered cash and bank balance stood at Rs.1.09 Cr as on March 31, 2022. The current ratio was 1.96 times as on March 31, 2022. Acuité believes that the liquidity of the Company is likely to remain adequate over the medium term on account of comfortable cash accruals against debt repayment obligations over the medium term constrained to some extent by working capital intensive nature of operations.

Outlook: Positive

Acuité believes that BNJIPL will benefit from its improved operating performance and moderate financial risk profile over the medium term. The rating may be upgraded on sustenance of it improved scale of operations while maintaining its profitability margins, capital structure and debt protection metrics. Conversely, the outlook may be revised to 'Stable' incase of lower than expected improvement in scale of operations or deterioration in its profitability margins and financial risk profile or elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	351.61	302.76
PAT	Rs. Cr.	6.59	5.40
PAT Margin	(%)	1.87	1.78
Total Debt/Tangible Net Worth	Times	1.08	0.60
PBDIT/Interest	Times	3.43	4.85

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Nov 2022	Cash Credit	Long Term	32.50	ACUITE BBB Positive (Reaffirmed)
31 Aug 2021	Cash Credit	Long Term	32.50	ACUITE BBB Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.50	ACUITE BBB Positive Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE BBB Positive Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE BBB Positive Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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