



Press Release
B N JEWELLERS INDIA PRIVATE LIMITED (ERSTWHILE B N JEWELLERS
March 14, 2024
Rating Upgraded

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|--|-------------------|
| Bank Loan Ratings | 85.00 | ACUITE BBB+ Stable Upgraded Positive to Stable | - |
| Total Outstanding Quantum (Rs. Cr) | 85.00 | - | - |

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE Triple B 'Plus'**) from '**ACUITE BBB**' (read as **ACUITE Triple B**) on the Rs. 85.00 Cr. bank facilities of B N Jewellers India Private Limited (BNJIPL) (ERSTWHILE B N JEWELLERS). The outlook is revised to '**Stable**' from '**Positive**'.

Rationale for upgrade and revision in outlook:

The rating upgrade and revision in outlook is on account of improvement in operating performance and profitability. The company has reported significant growth in scale of operations with YOY growth of 70.14 percent as reflected in revenues of Rs.598.23 Cr. in FY2023 as against Rs.351.61 Cr. in FY2022. The growth in revenue is driven by increased in house manufacturing capacity of platinum jewellery and improvisation in its manufacturing proces. The operating profitability improved to 7.38 percent in FY2023 as against 5.08 percent in FY2022. Debt protection metrics is improved in FY2023 – Interest coverage ratio and debt service coverage ratio stood at 4.97 times and 3.22 times as on March 31, 2023 respectively as against 3.43 times and 2.89 times as on March 31, 2022 respectively. TOL/TNW stood at 1.57times and 1.47 times as on March 31, 2023 and 2022 respectively.

The rating also takes into account the experienced management and long track record of operations and comfortable financial risk profile. These strengths are partially constrained by the working capital intensive nature of operations and Strong competition from large number of players in the organized and unorganized sector.

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 son Mr. Nirmal Rawal. The company undertakes manufacturing of gold and platinum jewellery at its processing unit at Andheri in Mumbai (Maharashtra). The Company caters to both domestic as well as export markets.

Unsupported Rating

Not applicable

Analytical Approach

Acuite 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 son Mr. Nirmal 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. Acuité believes that the experience of the management in the industry is likely to favourably impact the business risk profile of the company over the near to medium term.

- **Improving scale of operations and margins**

The company has reported significant growth in scale of operations with YOY growth of 70.14 percent as reflected in revenues of Rs.598.23 Cr in FY2023 as against Rs.351.61 Cr in FY2022. The improvement in the revenues is on account of increased in installed capacity of platinum Ornaments to 1000 Kgs from 600 kgs in FY2023 and actual production of platinum ornaments. The company has already achieved Rs. 476.47 Cr till December 2023 and is targeting Rs. 615-620 Cr. in FY2024. The operating profitability improved to 7.38 percent in FY2023 as against 5.08 percent in FY2022. The increase is majorly on account of decline in raw material cost and administrative expenses as a percentage of sales and higher margins for platinum ornaments. Acuité believes that the revenue is expected to improve further on account of increase in production capacities and even profitability margins are expected to improve.

- **Comfortable financial risk profile**

The financial risk profile of the company is comfortable with healthy net worth, moderate gearing and comfortable debt protection metrics. The net worth of the company stood at Rs.72.48 Cr and Rs.50.59 Cr as on March 31, 2023 and 2022 respectively. Improvement in the net worth is on account of accretion of reserves. The gearing of the company has slightly deteriorated on account of enhanced short term. It stood at 1.24 times as on March 31, 2023 as against 1.08 times as on March 31, 2022. BNJIPL'S debt protection metrics is comfortable – Interest coverage ratio and debt service coverage ratio stood at 4.97 times and 3.22 times as on March 31, 2023 respectively as against 3.43 times and 2.89 times as on March 31, 2022 respectively. TOL/TNW stood at 1.57times and 1.47 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 2.03 times as on March 31, 2023 as against 3.07 times as on March 31, 2022. Acuité believes BNJIPL's financial risk profile will remain comfortable over the medium term in absence of any major debt-funded capex plan.

Weaknesses

- **Working capital intensive operations**

The working capital management of the BNJIPL remained intensive GCA days at 97 days as on March 31, 2023 as against 111 days as on March 31, 2022. However, Slight improvement is reflected in GCA days FY2023. Inventory days stood at 61 days as on March 31, 2023 as against 69 days as on March 31, 2022. The debtor's day stood at 27 days as on March 31, 2023 as against 39 days as on March 31, 2022. The collection period was reduced to 27 days in FY2023 as against 39 days in FY2022. For Gold Jewellery, the payment terms are ~15 days for large players and 1 week or full/partial advance

payment depending upon the relationship and past track record of the client. Subsequently, the payable period stood at 9 days as on March 31, 2023 as against 18 days as on March 31, 2022 respectively. Further, the average bank limit utilization in the last six months ended Feb 24 remained at ~91 percent for fund based.

- **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.

Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.25.82 Cr in FY2023 as against the repayment of Rs.1.89 Cr for the same period and expected to generate cash accruals in the range of Rs.33-41 Cr. against CPLTD of Rs.1.45- 1.67 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 3.43 Cr as on March 31, 2023. The current ratio of the company stood at 1.57 times as on March 31, 2023. Acuité believes that BNJIPL's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Stable

Acuité believes that BNJIPL 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.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 598.23 | 351.61 |
| PAT | Rs. Cr. | 21.99 | 6.59 |
| PAT Margin | (%) | 3.68 | 1.87 |
| Total Debt/Tangible Net Worth | Times | 1.24 | 1.08 |
| PBDIT/Interest | Times | 4.97 | 3.43 |

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

Not applicable

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>
- 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 |
|-------------|--------------------------------|-----------|-----------------|------------------------------------|
| 15 Dec 2022 | Cash Credit | Long Term | 32.50 | ACUITE BBB Positive (Reaffirmed) |
| | Cash Credit | Long Term | 7.50 | ACUITE BBB Positive (Assigned) |
| | Cash Credit | Long Term | 45.00 | ACUITE BBB Positive (Assigned) |
| 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) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|---------------|----------------------|-------------|----------------------|----------------------|----------------------|------------------|-------------------|--|
| HDFC Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 45.00 | ACUITE BBB+ Stable Upgraded Positive to Stable (from ACUITE BBB) |
| Yes Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 40.00 | ACUITE BBB+ Stable Upgraded Positive to Stable (from ACUITE BBB) |

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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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