

Bridal Jewellery Manufacturing Company

March 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	0.50	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	25.00	CARE A4+ (A Four Plus)	Reaffirmed
Total Bank Facilities	25.50 (Rs. Twenty-Five Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Bridal Jewellery Manufacturing Company (BJMC) continues to factor in modest scale of operations, low profitability margins, high customer and geographical concentration risk and the constitution of the entity being a partnership firm. Furthermore, the ratings continue to factor in the high volatility in gold prices and the firm being part of highly regulated industry. However, the ratings continue to favourably factor in the extensive experience of the partners and moderate financial risk profile.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustained growth in scale of operations with gross cash accruals above Rs.3.00 crore.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Decrease in scale of operations with gross cash accruals below Rs.0.75 crore on a sustained basis.
- Deterioration in liquidity with interest coverage lower than 1.75x.

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations and low profitability margins: The total operating income of the firm declined by 49.08% to Rs.50.63 crore in FY21 (refers to the period from April 01 to March 31) (PY: Rs.99.44 crore) on account of BJMC's workshop being shut from March 22, 2020 to August 24, 2020 due to nation-wide lockdown. The PBILDT margin of the firm improved marginally to 4.07% (PY: 3.58%) in FY21 due to reduction in cost of raw material (bullion). Consequently, the PAT margin of the firm improved marginally to 1.73% (PY: 1.48%) in FY21. During 10MFY22 (refers to the period from April 01 to January 31), the firm reported total operating income of Rs.98.64 crore driven by resumption of operations in the current year. BJMC reported PBILDT margin and PAT margin of 3.28% and 1.93% respectively during 10MFY22.

Customer concentration risk: The firm sells its 100% jewellery to its group concern M/s Siddharth Jewellery (UK) Limited (SJL) which is primarily into wholesale trading of jewellery in United Kingdom & other European nations. Thus, SJL takes over BJMC's counter party risk as well as commodity fluctuation risk.

Vulnerability of margins to foreign exchange and gold price fluctuations: BJMC, being a 100% export-oriented unit for its gold jewellery, is susceptible to risks associated with fluctuation in exchange rates. Further, the price of gold has experienced high volatility in past. Therefore, any adverse change in the gold prices is likely to have a significant impact on BJMC's revenues and margins.

Partnership nature of business: BJMC's constitution as a partnership firm restricts its overall financial flexibility in terms of limited access to external fund for any future expansion plans. Furthermore, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency/separation of the partners.

Highly regulated industry: The Gems & Jewellery sector in India has been one of the most regulated sectors; considering the fact that gold is the second largest item in the import bill. Therefore, the Government of India along with RBI continually undertakes various measures to keep the Current Account Deficit (CAD) within the target limit. Hence, the sector continues to be vulnerable to regulatory risk and any adverse movement of the CAD or consequent measures taken by the government/RBI.

Key Rating Strengths

Extensive experience of partners: BJMC was established in 2000 and is managed by Mr. Rajan Kohli, a Chartered Accountant (CA) by qualification, with an experience of almost 30 years in the business of manufacturing and export of gold

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

jewellery. Mr. Rajan Kohli currently looks after the overall operations of the BJMC. The other partner, Mrs. Neelja Kohli, with an experience of more than a decade in the gold jewellery industry looks after marketing division of the firm.

Modest financial risk profile: The overall gearing of the firm improved substantially to 0.57x (PY: 1.50x) as on March 31, 2021 primarily on account of nil L.C. Acceptance as on March 31, 2021 (PY: Rs.15.00 crore) due to slowdown in operations during Q4FY21 (refers to the period from January 01 to March 31) on account of lockdown in United Kingdom. However, the overall gearing although comfortable deteriorated slightly to 0.94x as on December 31, 2021 due to resumption of operations and consequently use of L.C. to procure bullion from MKS Finance, S.A. The debt coverage indicators stood moderate as reflected by PBILDT interest coverage of 2.99x (PY: 2.79x) and Total debt/GCA of 10.94x (PY: 16.71x) in FY21.

Liquidity: Adequate: The current ratio of the firm improved to 2.55x (PY: 1.55x) as on March 31, 2021 on account of negligible trade payables as on March 31, 2021. The firm receives a credit period 85-100 days from its creditors (MKS Finance S.A.) and offers credit period of 30-60 days to its customer. The average utilization of the fund based working capital limits remains moderate at ~39% for trailing 12 months ending December, 2021. Further, the firm has no long-term debt obligation as on December 31, 2021. BJMC is not planning any capex in the near future.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

Bridal Jewellery Manufacturing Company (BJMC) was incorporated in year 2000, as a partnership firm with Mr. Rajan Kohli (75%) and his wife Mrs. Neelja Kohli (25%) as partners. The firm is engaged in manufacturing and export of gold jewellery to UK through M/S Siddharth Jewellery (UK) Limited (promoter owned entity). It is a 100% export-oriented undertaking (EOU).

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	10MFY22 (P)
Total operating income	99.44	51.30	99.30
PBILDT	3.56	2.09	3.26
PAT	1.47	0.89	1.92
Overall gearing (times)	1.50	0.57	0.94
Interest coverage (times)	2.79	2.99	11.64

A: Audited, P: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Foreign Bill Discounting		-	-	-	10.00	CARE A4+
Non-fund-based - ST-BG/LC		-	-	-	15.00	CARE A4+
Fund-based - LT-Term Loan		-	-	Proposed	0.50	CARE BB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - ST-Foreign Bill Discounting	ST	10.00	CARE A4+	-	1)CARE A4+ (05-Mar-21) 2)CARE A4+ (03-Dec-20)	1)CARE A4+ (05-Mar-20)	1)CARE A4+ (28-Mar-19)
2	Non-fund-based - ST-BG/LC	ST	15.00	CARE A4+	-	1)CARE A4+ (05-Mar-21) 2)CARE A4+ (03-Dec-20)	1)CARE A4+ (05-Mar-20)	1)CARE A4+ (28-Mar-19)
3	Fund-based - LT-Term Loan	LT	0.50	CARE BB; Stable	-	1)CARE BB; Stable (05-Mar-21) 2)CARE BB; Stable (03-Dec-20)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Foreign Bill Discounting	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this CompanyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Sachin Mathur
Contact no.: 9810865435
Email ID: sachin.mathur@careedge.in

Relationship Contact

Name: Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.