

## Birdhichand Ghanshyamdas

February 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	9.02 (Reduced from 9.78)	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to the bank facilities of Birdhichand Ghanshyamdas (BCGD) continues to remain constrained on account of growing albeit moderate scale of operations, stable demand outlook and presence in a highly competitive and fragmented industry, vulnerability of margins to fluctuations in raw material prices, and its constitution as partnership concern.

However, the rating continue to derive strength from moderate profitability and capital structure. Further, rating continue to factor in the vast experience of the partners of more than three decades in the Gems & Jewellery industry, along with its established brand name.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operations by more than Rs.120 crore with sustained Profit before interest, lease rentals, depreciation, and taxation (PBILDT) of over 15%.
- Improvement in total outside liabilities to tangible network (TOL/TNW) below 1.00x along with improvement in debt coverage indicators.

#### Negative factors

- Decline in scale of operations to below Rs.70 Crore.
- Any debt funded capex or significant increase in working capital requirements, resulting in deterioration in TOL/TNW to above 2x.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that the firm shall continue to benefit from its experienced promoters and maintain its financial risk profile in the near to medium term.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Growing albeit moderate scale of operations

BCGD has a mix of manufactured and traded jewellery. During FY24, the total operating income (TOI) of the firm increased by ~12% to Rs.91.97 crore, compared to Rs.82.41 crore in FY23, due to better sales realization with increase in prices of gold. During 9MFY25, the firm reported TOI of ~Rs.78 crore, and it is expected to report TOI of over Rs.100 crore in FY25. Due to a limited scale, the firm's gross cash accruals remained Rs.7.87 crore in FY24 (PY: Rs.6.31 Crore), despite moderate operating margins.

##### Stable demand outlook and presence in highly competitive and fragmented gems and jewellery industry

During FY25, the domestic jewellery industry is expected to experience muted volume growth due to the recent sharp rise in gold prices, the evolving macroeconomic scenario, and the likelihood of continued price volatility. However, branded jewellery retailers are projected to see healthy revenue growth of 20-22% YoY, with volume growth of around 5% YoY. This growth will be driven by aggressive store expansions, changing consumer preferences, and the sustained rise in gold prices. The increasing penetration of organized players, who offer a broader product mix and innovative jewellery designs, along with customers' changing lifestyles, increasing urbanization, and the growing trend of online shopping, are expected to boost the share of the organized jewellery retail segment going forward.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### **Vulnerability of margins to fluctuation in raw material prices and constitution as a partnership concern**

Price of gold exhibits fluctuations and this impacts the margins of the players in gems & jewellery industry. However, BCGD largely follows a procurement policy whereby it replenishes the gold sold with an equal quantity of purchases periodically, thereby maintaining a consistent level of inventory and mitigating the risk of price fluctuation to some extent. However, the changes in the gold prices could impact the profitability to the extent of BCGD's inventory holding. Further, its constitution as a partnership concern restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. Also, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of partners.

### **Key strengths**

#### **Moderate profitability along-with moderate capital structure**

Profitability of the entity has remained moderate over the last few years ended FY24, with a PBILDT margin in the range of 12-16%, owing to a substantial proportion of the sale of own-designed jewellery, which fetches a better margin. PBILDT margin improved to 14.06% in FY24 compared to 12.77% in FY23, owing to an increase in the scale of operations and a reduction in overheads. Consequently, the PAT margin also increased to 7.61% in FY24, compared to 6.52% during FY23. Profitability is expected to remain moderate in the medium term, though gross cash accruals are expected to remain limited due to the moderate scale of operations.

The firm's capital structure remained moderate, with an overall gearing of 0.62 times at FY24 (0.82 times at FY23 end) and TOL/TNW of 1.10x at FY24 end (1.51x at FY23 end). Debt coverage indicators also stood moderate, with PBILDT interest coverage of 5.66x (P.Y.: 4.01x) and total debt/ GCA of 3.50x (P.Y.: 4.46x) at the end of March 31, 2024.

#### **Experienced management and established track record of operations with established brand name**

The firm was formed in 1987 and has more than three decades of operational track record. It has an established brand name in Jaipur and nearby areas, alongwith presence in Delhi. The partners have wide experience in the industry and look after overall affairs of the firm. Further, over the years, the firm has established relationship with its customers and suppliers.

#### **Liquidity: Stretched**

BCGD's liquidity remained stretched, marked by an elongated operating cycle and negative cash flow from operations. Being a jewellery manufacturer and retailer, it is critical for the firm to offer a wide range of designs, resulting in significant finished goods inventory and high working capital intensity. BCGD's operating cycle increased to 147 days in FY24, compared to 121 days in FY23, primarily due to an increase in the collection period and a decrease in creditor days.

However, the firm holds fixed deposits of Rs. 24.87 crore, against which overdraft facilities can be availed as needed. Despite this, cash flow from operations turned negative at Rs. 1.70 crore, from a positive Rs. 4.22 crore, mainly due to an increase in receivables. The average utilization of working capital limits remained moderate at 38% during the past twelve months ended December 2024, though it was higher at the year-end. Further, the firm's GCA stood at Rs. 7.87 crore as of FY24 (PY: Rs. 6.31 crore), which is sufficient to meet its debt obligations.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Retail](#)

### **About the firm and industry**

#### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

Jaipur-based (Rajasthan) BCGD was formed in November 1987 by the Jaipur-based Agarwal family as a partnership concern. BCGD is engaged in the business of manufacturing, wholesale, retailing, as well as trading of gold, silver, diamond, and platinum hallmark jewellery. The firm offers a wide range of products that include rings, earrings, pendants, necklaces, bracelets, bangles, coloured stones, and medallions. The firm has three retail outlets, two in Jaipur and one in New Delhi.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (Prov.)
Total operating income	82.41	91.97	78.00
PBILDT	10.52	12.93	NA
PAT	5.37	7.00	NA
Overall gearing (times)	0.82	0.62	NA
Interest coverage (times)	4.01	5.66	NA

A: Audited Prov.: Provisional; NA: Not available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	7.50	CARE BB+; Stable
Fund-based-Long Term	-	-	-	October 2027	1.52	CARE BB+; Stable

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-Long Term	LT	1.52	CARE BB+; Stable	-	1)CARE BB+; Stable (19-Mar-24)	1)CARE BB+; Stable (30-Mar-23)	1)CARE BB; Stable (16-Mar-22)
2	Fund-based - LT-Cash Credit	LT	7.50	CARE BB+; Stable	-	1)CARE BB+; Stable (19-Mar-24)	1)CARE BB+; Stable (30-Mar-23)	1)CARE BB; Stable (16-Mar-22)

LT: Long term;

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based-Long Term	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

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

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### About us:

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