

J J House Private Limited

May 30, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and reaffirmed
Total Bank Facilities	15.00 (Rs. Fifteen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

In the absence of payment of surveillance fees for the purpose of rating exercise as agreed to in Rating Agreement and in line with the extant SEBI guidelines, CARE had revised the rating of bank facilities of the company to 'CARE BB+; Stable; ISSUER NOT COOPERATING. However, the company has now submitted the requisite information to CARE and paid the surveillance fees. CARE has carried out a full review of the rating and the rating is revised to '**CARE BB+; Stable**'.

The rating remains constrained by, thin profitability margins and exposure to volatility in gold prices and highly fragmented and competitive nature of industry coupled with regulatory risks. The rating, however, derives comfort from extensive experience of the promoters in G&J industry and comfortable capital structure with satisfactory debt coverage indicators.

Rating Sensitivities

Positive Factors:

- Consistent improvement in PBILDT margins above 1% while sustaining its current scale of operations on a sustained basis.

Negative Factors:

- Decline in scale of operations below Rs 2500 crores along with sharp decline in the profit levels.
- Any major debt-funded capex plan and increase reliance on external borrowings to fund working capital requirements leading to deterioration in gearing above the range of 1.50x on a sustained basis.

Detailed description of the key rating drivers

Key Rating Weaknesses

Thin profitability margins and exposure to volatility in gold prices: Despite the large scale in revenue, JJHPL's PBILDT margin remained very thin at 0.18% (FY21: 0.04%) during FY22 (Prov.) due to its commoditised trading nature of business. The thin margin increases the risk of volatility of gold prices on the company's overall cash flows and financial risk profile. While the company's back-to-back procurement policy for most of the large orders coupled with a low inventory holding period of about 3 days has rendered some stability to its margins in the past, high short-term volatility could impact the PBILDT significantly.

Highly fragmented nature of industry coupled with competitive and regulatory risks: The domestic jewellery industry is fragmented and highly competitive with the presence of large number of organised and unorganised players. Being wholesale player in the market, JJHPL faces stiff competition from artisans as well as who are directly engaged by the retailers and thereby putting pressure on its profitability. Further, Gold prices have exhibited sharp volatility depending upon the demand & supply scenario and volatility in the foreign currency exchange rates. Supply of gold is also regulated by Government of India (GOI) and Reserve Bank of India (RBI) in order to control the country's current account deficit.

Key Rating Strengths

Extensive experience of the promoters in G&J industry: Shri Harshad Ajmera has joined his family business which was into manufacturing and sale of silver jewellery in the year 1978. After lifting of Gold Control Act by Govt. of India in the year 1990, Shri Harshad Ajmera had diverted his business from silver ornaments to gold jewellery manufacturing and had set up 'J J Gold House' a sole proprietorship firm in the year 1999. He is also a zonal committee member of All India Gems & Jewellery Trade Federation and Indian Bullion & Jewellery Association Limited. He is founder member of Advisory Committee of Indian Bullion & Jewellery Federation of India.

Shri Harshad Ajmera has more than three decades of experience in the gems and jewellery industry, looks after the day to day operations of the company along with a team of experienced professionals.

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

Comfortable capital structure with moderation in debt coverage indicators: The company does not have any term debt and has only sanctioned working capital limit of Rs.15.00 crore. The capital structure of the company has improved from the last year on account of relatively lower utilisation of working capital borrowings and the same is marked by overall gearing of 0.80 times (FY21: 0.91 times) as on March 31, 2022.

Further, the debt coverage indicator moderated, marked by interest coverage at 10.17x (FY21:1.61x) and TD/GCA of 4.29x (FY21: 37.97x) in FY22. Moderation in the interest coverage was on lower PBILDT level, largely due to impact from changes in custom duty.

Liquidity: Adequate

Liquidity is marked by sufficient cushion in accruals vis-à-vis nil repayment obligations, moderate bank limit utilisation, low cash balance, satisfactory operating cycle and above unity current ratio in FY22. The average utilization of bank limits was around 42% during last 12 month ended on 31st January 2022. The company has reported a gross cash accrual of Rs 3.50 crore during FY22. The operating cycle of the company remained satisfactory at 3 days in FY22 mainly on account of low inventory period.

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](#)

[Wholesale Trading](#)

About the Company

J J House Private Limited (JJHPL) was incorporated in August 2005 by Shri Harshad Ajmera and Smt. Pritibala Harshad Ajmera. In April 2010, JJHPL has taken over the proprietorship concern 'J J Gold House' which was set up by Shri Harshad Ajmera in the year 1999 and was into trading of gold and silver bars. The company is engaged in the business of bullion trading and manufacturing of gold and silver coins. This apart the company also is into share trading business. However, income from share trading was negligible during FY21. The company is dealing with some of the reputed client based out of West Bengal like Senco Gold Limited, Hasmukh Parekh Jewellers and Anjani Gold Private Limited.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (Prov.)
Total operating income	2960.14	3200.25
PBILDT	1.29	5.74
PAT	0.26	3.40
Overall gearing (times)	0.91	0.80
Interest coverage (times)	1.61	10.17

A: Audited; Prov: Provisional

Status of non-cooperation with previous CRA: Non-cooperation with INDIA Ratings vide its press release dated September 16, 2021.

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

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 - LT-Cash Credit		-	-	-	15.00	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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	15.00	CARE BB+; Stable	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (29-Mar-22)	1)CARE BB+; Stable (31-Dec-20)	-

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-Cash Credit	Simple

Annexure 5: Bank Lender Details for this Company

To 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: Anil More
Contact no.: 8444867144
Email ID: anil.more@careedge.in

Relationship Contact

Name: **Lalit Sikaria**
Contact no.: + 91-033- 40181600
Email ID: lalit.sikaria@careedge.in

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