

Rating Rationale

Brickwork Ratings assigns 'BWR BB' for the Bank Loan facilities amounting to ₹ 10.00 Cr of Bhandari Jewellers

Brickwork Ratings has assigned the following **Ratings¹** for Bank Loan facilities sanctioned by *Andhra Bank* to M/s Bhandari Jewellers (*"the firm"*)

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit	10.00	Long Term	BWR BB (BWR Double B) (Outlook Stable)
Foreign Currency Loan Sublimit of Cash Credit	(4.00)		
Working Capital Demand Loan Sublimit of Cash Credit	(4.00)		
Total	10.00	INR Ten Crores only	

BWR has principally relied upon M/s Bhandari Jewellers' Audited financial results for the period FY11 to FY13, provisional financials for 9 months ended December 31st, 2013, publicly available information and information/clarification provided by the firm's management.

The rating factors in, the promoters' experience and the firm's three decades presence in retail jewellery business, locational advantage and trusted relationship with foreign tourists, moderate tangible net worth and average gearing levels. However, the rating is constrained by small scale of operations, decline in sales during FY13, customer concentration risk, capital drawings in Provisional 9MFY14, high inventory holding period and risk associated with high volatility in gold prices.

Business overview:

M/s Bhandari Jewellers a partnership firm was constituted on August 01st, 1982. Mr. Sagar Mal Bhandari is the key promoter of the firm who set up this business. After his death during FY13, the firm and the management is taken care by his sons viz. Mr. Manish Bhandari and Mr. Alok Bhandari, and his daughters in law viz. Ms. Shalini Bhandari and Ms. Meera Bhandari. The firm is engaged in manufacturing and trading of precious/semiprecious stones, jewellery, ornaments and handicraft goods on retail basis. The revenue from manufacturing division contributes less than 10% and primarily relies on direct sales to foreign tourists visiting at their 11350 square feet retail outlet which is in the prime location of Jaipur at Dasher Kothi, Amer Road.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

For FY13, sales to foreign tourist contribute 95%, direct export sales contribute 1% and local sales contribute 4%. The firm's total operating income has decreased by 9% from ₹ 35.91 Cr in FY12 to ₹ 32.72 Cr in FY13. However, the profit after tax (PAT) shows increment from ₹ 1.56 Cr with PAT margin at 4.34% in FY12 to ₹ 6.76 Cr with PAT margin at 20.67% in FY13 is attributed to surrender income of ₹ 7.50 Cr in FY13. The operating profit margins maintained at ~12% in FY13 are similar to that in FY12. Accordingly, for FY13 the tangible net worth stood at ₹ 10.56 Cr which is an increase from ₹ 4.87 Cr in FY12. The debt levels have also decreased from FY12 to FY13 due to reduced utilization of working capital limits. The gearing level also thereby is at 0.70 times in FY13 compared to 1.91 times in FY12. The firm's inventory holding period of 268 days in FY13 is a cause of concern considering these levels at ~ less than 200 days in FY11 and FY12.

Rating Outlook:

Going forward, the firm's ability to scale up its operations, improve the revenues, sustain the profit margins, retain and grow the capital in the firm, prudently abide by the regulatory framework and efficient inventory management will remain the key rating sensitivities.

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