

August 09, 2024

Bholasons Jewellers: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term fund based-Cash credit	105.00	125.00	[ICRA]BBB-(Stable) reaffirmed/assigned for enhanced amount
Total	105.00	125.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation considers the established brand name of Bholasons Jewellers (Bholasons) in the National Capital Region (NCR) market and the strategic location of its showroom in the Gold Souk Mall (Gurugram, Haryana), which generates adequate footfalls. Besides, extensive experience of its partners in the jewellery retail business and continuous focus on new design improvement have enabled the firm to establish a strong market presence and capture a loyal customer base in its addressable markets.

The rating is constrained by Bholasons' relatively moderate financial profile, characterised by modest scale of operations, albeit improving year-on-year, and large inventory holding requirements. Sizeable inventory levels expose the firm to inventory price risk owing to volatility in gold prices. However, access to gold metal loans ensures an effective hedge. The firm remains exposed to geographical concentration risk with a major part of its revenues derived from the Gurgaon outlets. ICRA also notes the intense competition in the gold retailing segment from many organised manufacturers, limiting its pricing ability and constraining its margin improvement. Moreover, ICRA considers the inherent regulatory risks in the industry, along with the challenges faced by the partnership firms in the form of limited disclosure, capital continuity/withdrawal risks among others.

The Stable outlook on the long-term rating reflects ICRA's opinion that Bholasons' credit profile will remain supported by its established brand position, which would generate adequate footfalls as well as limited capital expenditure (capex) towards store additions.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in jewellery retail business – The firm, led by Dr. Rajendra Bhola, has been in existence since 2004 and operates two stores and one export office in Delhi and Gurgaon at present. The promoters have extensive experience in the jewellery retail business for more than six decades, which helped in developing established relationships with domestic and overseas customers.

Established market presence and strategically located showrooms – The firm benefits from the established presence of the Bholasons brand in the Delhi/NCR jewellery retail market. The strategic location of the Gold Souk Mall in Gurugram and a strong brand recall in the region have facilitated a sustained growth in footfalls and revenues for the firm.

Credit challenges

Moderate financial profile and working capital intensive nature of operations – The firm's financial profile is moderate, characterised by its modest, albeit improving, scale of operations and working capital intensive nature of business. The firm reported a turnover of Rs. 351.5 crore in FY2024 (as per provisional estimates), with an operating profit margin (OPM) of 6.8%.

Its working capital intensity of operations (net working capital vis-à-vis the operating income) stood high at 52.2% as on March 31, 2024, led by large inventory holding, given the need to display varied designs of jewellery to customers. These have translated into a moderate financial profile with an interest coverage of 2.9 times (vis-à-vis 2.8 times) and total debt vis-à-vis the operating profit of 4.7 times (vis-à-vis 5.8 times) in FY2024. The overall revenue and margins are expected to remain range-bound in the full fiscal.

High geographical concentration risk and stiff competition – The firm faces stiff competition from many players available within the mall location. Besides, the gold jewellery retail business witnesses intense competition, given the presence of many organised and unorganised players, leading to limited pricing flexibility among players. Nevertheless, its established brand presence in the Delhi/NCR region and strong customer base mitigate the risk.

Exposure to regulatory risks – Increased regulatory intervention in the jewellery industry like restriction on imports, disclosure of PAN above a threshold limit, changes in the duty structure, GST implementation in the recent years, among others have impacted the demand and supply scenario in the industry. Nevertheless, the mandatory hallmarking of gold jewellery is expected to benefit organised players like Bholasons.

Inherent risks in partnership nature of business, continuous withdrawals have restricted build-up of capital – The firm remains exposed to the challenges inherent to the partnership businesses, such as capital withdrawals by partners and dissolution of the firm upon death, retirement, or insolvency of the partners.

Liquidity position: Adequate

The average working capital utilisation stood at ~95% of the sanctioned limits for the 12-month period that ended in June 2024. However, the firm's liquidity position is adequate, supported by the recent enhancement in working capital limits and expected positive fund flows from operations in FY2025 and low debt repayment obligations of Rs. 1.4 crore in FY2025 and Rs. 1.6 crore in FY2026. The firm has no major capex plan and its cash flows will be more than sufficient for servicing its debt obligations and undertaking normal capex.

Rating sensitivities

Positive factors – A sustained increase in revenues and profitability, along with efficient management of working capital, leading to an improvement in debt protection metrics and healthy liquidity position, could be positive rating triggers. A specific credit metric for a rating upgrade includes an interest coverage above 3.5 times, on a sustained basis.

Negative factors – Pressure on the rating could arise if there is a material decline in its scale of operations and profitability, resulting in lower cash accruals. In addition, significant capital withdrawal, impacting the firm's liquidity position, or a decline in the interest coverage below 2.5 times, on a sustained basis, may trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in Gold Jewellery-Retail Industry
Parent/Group support	None
Consolidation/Standalone	The ratings are based on the standalone financials of the firm.

About the company

Bholasons Jewellers, set up in 2004 as a partnership firm by Dr. Rajendra Bhola, is involved in retailing of gold and diamond-studded jewellery in the domestic and export markets. It is a family-owned business, run by three partners — Dr. Rajendra Bhola, his wife (Mrs. Sangeeta Bhola) and son (Mr. Abhinav Bhola)—who are actively involved in the day-to-day operations.

Key financial indicators

Bholasons Jewellers	FY2023	FY2024 (Provisional)
Operating income	319.5	351.5
PAT	11.5	13.1
OPBDIT/OI	6.2%	6.8%
PAT/OI	3.6%	3.7%
Total outside liabilities/Tangible net worth (times)	1.9	1.5
Total debt/OPBDIT (times)	5.8	4.7
Interest coverage (times)	2.8	2.9

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023	
			Aug 09, 2024	Sep 25, 2023	Oct 06, 2022	Sep 15, 2022	Oct 07, 2021
1 Fund based-Cash credit	Long term	125.0	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term– Fund-based – Cash Credit	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	125.00	[ICRA]BBB-(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis- Not applicable

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