

**Press Release**  
**ASHA DIAMOND**  
**March 07, 2024**



**Rating Downgraded, Downgraded & Withdrawn and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	St
Bank Loan Ratings	3.00	ACUITE BB+   Downgraded & Withdrawn	-
Bank Loan Ratings	20.00	ACUITE BB+   Stable   Downgraded   Negative to Stable	-
Bank Loan Ratings	57.00	Not Applicable   Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	60.00	-	-

**Rating Rationale**

Acuite has downgraded its long-term rating of 'ACUITE BBB- (read as Acuite triple B minus)' to ACUITE BB+ (read as Acuite double B plus) on the Rs.20.00 Cr. bank loan facilities of Asha Diamond (AD). Further, the outlook has been revised from 'Negative' to 'Stable'.

Acuite has also downgraded and withdrawn its long-term rating of 'ACUITE BBB- (read as Acuite triple B minus)' to 'ACUITE BB+ (read as Acuite double B plus)' on Rs.3.00 Cr. bank loan facilities. The rating withdrawal is in accordance to Acuite's policy of withdrawal of ratings and request received from the client and revised sanction letter from the banker.

Acuite has also withdrawn its long-term rating on Rs.57.00 Cr. bank loan facilities without assigning any ratings. The rating withdrawal is in accordance to Acuite's policy of withdrawal of ratings and request received from the client and NDC from the banker.

**Rationale for rating downgrade and revision in outlook**

The rating downgrade considers the significant decline recorded in AD's operating income in FY2023 due to sluggish demand in the gems and jewellery industry for cut and polished diamonds. The operating income stood at Rs.190.33 Cr in FY2023 against Rs.301.49 Cr in FY2022. However, the profitability of the firm marginally improved to 4.73% in FY2023 from 4.03% in FY2022. Going ahead, the firm is expected to record further moderation in operating income, and profitability is estimated to be marginally affected due to lower price realizations. In 9MFY2024, AD reported revenue of Rs.79.89 Cr.

However, the financial risk profile of the firm continues to remain moderate, with low gearing levels, average debt coverage indicators, and moderate net worth. Further, the operations of the firm are working capital intensive, as marked by GCA days of 218 in FY2023 as against 208 days in FY2022. However, the reliance on bank limits is moderate. The average bank limit utilization of the last 6 months ended December 2023 stood at 64%.

The rating further continues to derive strength on account of AD's established track record of operations and management's long-standing experience in the diamond industry.

Going ahead, AD's ability to avoid any significant decline in operating revenues and profitability levels, along with restricting further stretch in the working capital cycle while conserving its capital structure, will remain key rating monitorable.

**About the Company**

Asha Diamond based out of Mumbai was set up as a proprietorship firm in 2009 by Mr. Chandresh Gandhi. In 2012, it was converted into a partnership firm and the current partners are Mr. Sanket Gandhi and Mr. Mihir Shah. The firm is engaged in processing of large carat diamonds in the range of 5 carat to 10 carat and has its processing unit at Surat (Gujarat). The firm caters to countries such as Hong Kong, USA, UAE, Israel, and Belgium. Exports account for ~85-90 percent of the firm's total sales.

### Unsupported Rating

Not Applicable

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of Asha Diamond to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### Experienced management and established track record of operation

The firm has established presence in diamond industry since 2009 and is well supported by extensive experience of the partners. The Gandhi family is into diamond business for more than four decades. Other partner Mr. Mihir Shah has over a decade experience and have developed healthy relationships with its customers and suppliers in the diamond industry.

Acuite believes that the business risk profile of the firm will continue to derive strength on the back of established customer relationships and experienced promoters.

#### Moderate financial risk profile

The financial risk profile of the firm stood moderate marked by moderate net worth, low gearing levels, and average debt protection metrics. The tangible net worth stood at Rs.79.57 crore as on March 31, 2023, as against Rs.95.93 crore as on March 31, 2022. The net worth has declined due to Rs.6.05 crore unsecured loans being considered as part of debt from FY2023 onwards and net-withdrawal of Rs.8.88 Cr from the capital of the firm by the partners. The total debt of the firm stood at Rs.42.82 crore which includes Rs.6.05 crore of Unsecured loans from promoters and Rs.36.77 crore of short-term debt as on March 31, 2023. The gearing (debt-equity) improved and stood at 0.54 times as on March 31, 2023, as compared to 0.95 times as on March 31, 2022 primarily due to reduction in overall debt levels. However, the Interest Coverage Ratio moderated and stood at 1.91 times for FY2023 as against 2.42 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.68 times for FY2023 as against 2.02 times for FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.70 times as on March 31, 2023, as against 1.22 times as on March 31, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.09 times for FY2023 as against 0.06 times for FY2022.

The firm has reduced its working capital limits in view of declining trend in operating revenues and overall slowdown in the diamond industry.

Acuite believes in absence of debt funded capex plans and overall reduction working capital limits, the financial risk profile of the firm is expected to remain moderate.

#### Weaknesses

##### Working capital management

The working capital management of the firm is intensive marked by GCA days of 218 days in FY2023 as against 208 days in FY2022. The inventory days stood at 173 days in FY2023 as against 119 days in FY2022. Also, the debtor days stood at 39 days in FY2023 as against 83 days in FY2022. Creditor days stood at 27 days in FY23 as against 36 days in FY22. Average bank limit utilisation stood at 64 percent for the last 6 months ending December 2023.

Acuite believes, ability of AD to ensure timely realisation of its receivables and inventory will remain a key rating monitorable over the medium term.

#### Strong Competition and Susceptibility of its profitability margins

The gems and jewellery industry is characterised by the presence of many organised and

unorganised players resulting in pressure on margins and restricting bargaining power with its customers.

Overall, the industry is facing supply side and inflationary pressures for the rough diamonds, coupled with a slack in demand across regions. These factors will have a direct bearing on scale of operations and margins across players.

#### **Risk of capital withdrawal associated with partnership nature**

Asha Diamond was established as a partnership firm in 2009. Any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure of the firm.

#### **Rating Sensitivities**

Ability to avoid significant decline in scale of operations and profitability margins.

Further stretch in the working capital cycle adversely impacting the liquidity position of the firm.

#### **Liquidity Position**

##### **Adequate**

The firm has adequate liquidity marked by adequate net cash accruals against no maturing debt repayment obligation. The firm generated cash accruals of Rs.4.49-3.70 crore during the last three years through 2020-23 as against no maturing debt obligation during the same period. The firm's working capital operation stood intensive marked by GCA days of 218 days in FY2023 as against 208 days in FY2022. The company maintains an unencumbered cash and bank balances of Rs.5.74 crore as on March 31, 2023. The current ratio of the firm stood healthy at 2.50 times as on March 31, 2023. The average bank limit utilization stood moderate at around 64 percent for the last 6 months ended December 2023.

#### **Outlook: Stable**

Acuité believes the firm will maintain a 'Stable' business risk profile over the medium term. The firm will continue to benefit from its experienced management and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the firm registers higher than expected revenues and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the firm's revenue or profitability or significant deterioration in the working capital cycle leading to deterioration in its financial risk profile and liquidity position.

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	190.33	301.49
PAT	Rs. Cr.	2.22	4.03
PAT Margin	(%)	1.17	1.34
Total Debt/Tangible Net Worth	Times	0.54	0.95
PBDIT/Interest	Times	1.91	2.42

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Dec 2022	Post Shipment Credit	Long Term	20.00	ACUITE BBB-   Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	14.00	ACUITE BBB-   Negative (Reaffirmed)
	PC/PCFC	Long Term	26.00	ACUITE BBB-   Negative (Reaffirmed)
	PC/PCFC	Long Term	10.00	ACUITE BBB-   Negative (Reaffirmed)
	Stand By Line of Credit	Long Term	10.00	ACUITE BBB-   Negative (Reaffirmed)
18 Jan 2022	PC/PCFC	Long Term	34.00	ACUITE BBB-   Stable (Reaffirmed)
	PC/PCFC	Long Term	26.00	ACUITE BBB-   Stable (Reaffirmed)
	PC/PCFC	Long Term	10.00	ACUITE BBB-   Stable (Assigned)
	Stand By Line of Credit	Long Term	10.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.00	Not Applicable   Withdrawn
Indusind Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	Not Applicable   Withdrawn
Punjab National Bank	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
Punjab National Bank	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BB+   Downgraded & Withdrawn ( from ACUITE BBB- )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	Not Applicable   Withdrawn
Indusind Bank Ltd	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	Not Applicable   Withdrawn

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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