

Press Release

Swaminarayan Diamonds Private Limited (SDPL)

06 February, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 38.00 Cr.
Long Term Rating	SMERA BB- /Stable (Reaffirmed)

*Refer annexure for details

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 38.00 crore bank facilities of Swaminarayan Diamonds Private Limited (SDPL). The outlook is '**Stable**'.

SDPL, incorporated in 2012 is a Mumbai-based company promoted by Mr. Deepak Patel and Ms. Sweta Patel. The company is engaged in the import, export and trading of rough, cut and polished diamonds.

Key rating drivers

Strengths

Experienced management

SDPL was incorporated in 2012 by Mr. Deepak Patel and Ms. Sweta Patel. Mr. Patel has around two decades of experience in the diamond sector. He is well supported by his father, Mr. Nagjibhai Patel who has over three decades of experience in the sector.

Moderate working capital cycle

SDPL has moderate working capital cycle marked by high Gross Current Asset (GCA) of 125 days in FY2017 compared to 118 days in FY2016. The GCA days are mainly dominated by high debtor days of 88 days in FY2017 compared to 101 days in FY2016. The average cash credit utilisation for the past six months stood at ~95 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Weaknesses

Average financial risk profile

SDPL has average financial risk profile marked by tangible net worth of Rs. 21.94 crore as on 31 March, 2017 as against Rs. 16.72 crore as on 31 March, 2016. The increase in net worth was mainly on account of infusion of equity capital of Rs. 5.00 crore in FY2017. The gearing improved marginally to 2.07 times as on 31 March, 2017 from 2.29 times as on 31 March, 2016. The debt of Rs. 45.47 crore mainly consists of unsecured loans of Rs. 3.29 crore and working capital borrowings of Rs. 42.07 crore as on 31 March 2017. The Interest Coverage Ratio (ICR)

stood at 1.07 times for FY2017 as against 1.10 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.34 times as on 31 March, 2017 as against 2.79 times in the previous year. Going forward, SMERA expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

Thin profitability margins

The operating margins declined to 2.76 times in FY2017 from 2.92 times in FY2016 mainly on account of increase in raw material prices. The PAT margins declined to 0.10 times in FY2017 from 0.14 times in FY2016 mainly on account of increase in interest cost.

Intense competition from a large number of players in the organised and unorganised sector

The cut and polished diamond industry is characterised by the presence of a large number of organised and unorganised players leading to pressure on margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SDPL to arrive at the rating.

Outlook – Stable

SMERA believes that SDPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	212.77	195.95	200.89
EBITDA	Rs. Cr.	5.88	5.72	5.96
PAT	Rs. Cr.	0.22	0.28	0.17
EBITDA Margin	(%)	2.76	2.92	2.97
PAT Margin	(%)	0.10	0.14	0.09
ROCE	(%)	9.85	10.47	11.05
Total Debt/Tangible Net Worth	Times	2.07	2.29	2.25
PBDIT/Interest	Times	2.07	2.29	2.25
Total Debt/PBDIT	Times	7.46	6.64	6.19
Gross Current Assets (Days)	Days	125	118	112

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
26-Oct, 2016	Cash Credit	Long Term	35.00	SMERA BB-/ Stable (Assigned)
	Ad-hoc limits	Long Term	3.00	SMERA A4 (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	38.00	SMERA BB-/ Stable (Reaffirmed)

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ABOUT SMERA

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