

Press Release
Swaminarayan Diamonds Private Limited
May 02, 2019
Rating Reaffirmed



Total Bank Facilities Rated*	Rs.38.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB-**' (**read as ACUITE 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.

Analytical Approach

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

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 Gross Current Asset (GCA) of 112 days in FY2019 (Provisional) compared to 201 days in FY2018. The GCA days are mainly dominated by high debtor days of 84 days in FY2019 (Provisional) compared to 89 days in FY2018. The average cash credit utilisation for the past six months ended 31 March 2019 stood at ~90 percent. Acuité believes that the efficient working capital management will be crucial to the company 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.22.71 crore as on 31 March, 2019 (Provisional) as against Rs.22.18 crore as on 31 March, 2018. The gearing improved marginally to 1.94 times as on 31 March, 2019 (Provisional) from 3.49 times as on 31 March, 2018. The debt of Rs.44.08 crore mainly consists of unsecured loans of Rs.7.82 crore, working capital borrowings of Rs.36.19 crore and term loan of Rs.0.07 crore as on 31 March 2019 (Provisional). The Interest Coverage Ratio (ICR) stood low at 1.10 times for FY2019 (Provisional) as against 1.09 times in FY2018. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.02 times as on 31 March, 2019 (Provisional) as against 4.34 times in the previous year.

Going forward, Acuité expects the company to maintain its financial risk profile over the near to medium term.

• **Thin profitability margins**

The operating margins declined to 1.76 times in FY2019 (Provisional) from 2.53 times in FY2018 mainly on account of increase in raw material prices. The PAT margins declined to 0.10 times in FY2019 (Provisional) from 0.12 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.

Liquidity position

Liquidity of SDPL is moderate marked by low cash accruals. The net cash accruals for the company have improved to Rs.0.29-0.38 crore through FY2016-FY2019 against no debt obligations. SDPL has moderate working capital cycle marked by Gross Current Asset (GCA) of 112 days in FY2019 (Provisional) compared to 201 days in FY2018. The average cash credit utilisation for the past six months ended 31 March 2019 stood at ~90 percent.

Outlook: Stable

Acuité 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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	220.05	214.34	212.77
EBITDA	Rs. Cr.	3.86	5.43	5.88
PAT	Rs. Cr.	0.22	0.26	0.22
EBITDA Margin	(%)	1.76	2.53	2.76
PAT Margin	(%)	0.10	0.12	0.10
ROCE	(%)	5.07	6.64	9.85
Total Debt/Tangible Net Worth	Times	1.94	3.49	2.07
PBDIT/Interest	Times	1.10	1.09	1.07
Total Debt/PBDIT	Times	10.24	13.78	7.46
Gross Current Assets (Days)	Days	112	201	125

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading entities - <http://acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-Feb-18	Cash Credit	Long term	38.00	ACUITE BB-/Stable (Reaffirmed)
26-Oct-16	Cash Credit	Long term	35.00	ACUITE BB-/Stable (Assigned)
	Ad-hoc limits	Long term	3.00	ACUITE BB-/Stable (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	ACUITE BB-/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294022 rating.desk@acuite.in
Avadhoot Mane Senior Analyst - Rating Operations Tel: 022-49294052 avadhoot.mane@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.