



Press Release
Swaminarayan Diamonds Private Limited
March 08, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.00	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	38.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.38.00 Cr. bank facilities of Swaminarayan Diamonds Private Limited (SDPL). The outlook is '**Stable**'.

Rationale for rating

The rating takes into account the experienced management and established track record of operations of the company. The company has maintained stable operating margin albeit decline in the operating income. The revenues of the company stood at Rs.220.25 crore in FY2023 as against the revenue of Rs.275.93 crore in FY2022. The decline in the revenues is due to the lower demand for the cut and polished diamonds in the market. Further the company has recorded a revenue of Rs.239.83 crore till 13th February 2024. The operating margins stood at 2.73 percent in FY2023 as against 2.01 percent in FY2022.

The rating are however constrained by the below average financial risk profile and stretched liquidity position of the company marked by low net cash accruals and high bank limit utilization around 99 percent for six months ending February 2024.

About the Company

SDPL, incorporated in 2012, is a Mumbai-based company promoted by Mr. Deepak Patel and Ms. Sweta Patel which is engaged in the bulk trading and processing of rough, cut, and polished diamonds for retailers.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of SDPL to arrive at the rating.

Key Rating Drivers

Experienced management and established track of operations

SDPL started operations in 2012 to process and trade diamonds to retailers. The promoter, Mr. Deepak Patel and Mrs. Sweta Patel have around two decades of experience in the industry and are involved in day to day operations of the Company. Board is ably supported by a team of mid-levels managers. Acuité believes that the experience of the promoters will help the company in maintaining their business risk profile on the back of established track of operations over the medium term.

Weaknesses

Below Average Financial Risk Profile

The tangible net worth of the company stood at Rs.24.01 crore as on March 31, 2023, as against Rs.23.58 crore as on March 31, 2022. The gearing of the company stood high at 2.30 times as on March 31, 2023, as against 2.81 times as on March 31, 2022. The total debt of the company consists of long-term debt of Rs.9.35 crore, unsecured loans of Rs.3.20 crore and short-term debt of Rs.41.44 crore as on March 31, 2023. The interest coverage ratio stood at 1.11 times as on March 31, 2023, as against 1.13 times as on March 31, 2022. The DSCR stood below unity at 0.89 times as on March 31, 2023, as against 1.10 times as on March 31, 2022. Acuité believes that the financial risk profile of the company is likely to remain below average in the medium term.

Working capital intensive operations

The company's operations are intensive as evident from the GCA days of 138 days as on March 31, 2023, as against GCA days of 122 days as on March 31, 2022. The inventory days stood at 31 days for FY23 as against 29 days for FY22. Average inventory holding period is around 25-30 days. The debtors' days stood at 101 days for FY23 as against 82 days for FY22. The average credit period allowed to the customers is around 80 days. The creditors days stood at 12 days for FY23 against 5 days for FY22. The average credit period received from the supplier is around 10 days. The average utilization of the bank limits is high at around 99 percent for six months ending February 2024. Acuité believes that the ability of the company to improve its working capital operations will be key monitorable in medium term.

Strong competition from large number of players in the organized and unorganized sector

The cut and polished diamond industry is characterized by the presence of a large number of organized and unorganized players and intense competition resulting in pressure on margins.

Rating Sensitivities

Significant and sustainable improvement in operating income while maintaining the profitability margins and capital structure.

Further elongation in working capital cycle.

Further stretch in the financial risk profile.

Liquidity position: Stretched

The company has a stretched liquidity position marked by low net cash accruals against the maturing debt obligations as well as high bank limit utilization. The company generated cash accruals of Rs.0.47 crore in FY23 as against maturing debt obligations of Rs. 1.25 crore over the same period. The company is estimated to generate cash accruals of Rs.0.92-0.97 crore over the period 2024-2025 against maturing debt obligations of Rs.1.42-1.71 crore over the same period. The company maintains unencumbered cash and bank balance of Rs.0.51 crore as on March 31, 2023. The current ratio stood at 1.68 times as on March 31, 2023. Acuite believes that the liquidity position would be stretched over the medium term on account of modest net cash accruals against repayment obligations.

Outlook: Stable

Acuité believes that SDPL will maintain a 'Stable' outlook in the near to medium term on account of its experienced management and established track record of operations. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues, profitability margins and net cash accruals while maintaining/improving its debt protection metrics and financial risk profile. The outlook may be revised to 'Negative' in case the company registers substantial decline in revenues or profitability margins or if the financial risk profile deteriorates due to higher than expected working capital requirements resulting in deterioration of the capital structure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	220.25	275.93
PAT	Rs. Cr.	0.44	0.46
PAT Margin	(%)	0.20	0.17
Total Debt/Tangible Net Worth	Times	2.30	2.81
PBDIT/Interest	Times	1.11	1.13

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Nov 2023	Cash Credit	Long Term	38.00	ACUITE B+ Not Applicable (Downgraded & Issuer not co-operating*)
30 Aug 2022	Cash Credit	Long Term	38.00	ACUITE BB- Stable (Upgraded from ACUITE B+ Not Applicable)
24 Jan 2022	Cash Credit	Long Term	38.00	ACUITE B+ Not Applicable (Downgraded & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	38.00	ACUITE B+ Stable Reaffirmed

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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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