

Riddhi Gems Exports LLP: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Packing Credit	3.50	SMERA A4 (Assigned)
Post Shipment Credit	4.50	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA A4**' (**read as SMERA A four**) to the above mentioned bank facilities of Riddhi Gems Exports LLP (RGE).

The rating derives comfort from the firm's experienced management, healthy growth rate in operating income and improvement in operating profitability. However, the rating is constrained by the below average financial risk profile, working capital intensive operations and susceptibility of profit margins to volatility in forex rates.

Riddhi Gems exports LLP, incorporated in 2014, is engaged in the processing and export of polished diamonds. The firm benefits from its experienced management. Mr. Jignesh Shah, Mr. Kirtikumar Saha and Mr. Sandeep Shah, Partners possess over 20 years of experience in the gems and jewellery industry. The firm's operating profit margins have shown an improvement of 2.41 per cent in FY2014-15 as against 3.09 per cent in FY2015-16. The firm has registered a healthy revenue growth during the period under study (FY2015-16) on account of increase in order book value. Revenues increased from Rs.3.20 crore in FY2014-15 to Rs.25.03 crore for FY2015-16.

However, the firm commenced commercial operations in FY2015 and operates on a moderate scale. The financial risk profile is below average marked by low net worth of Rs.3.53 crore as on March 31, 2016. The gearing stands at 1.64 times as on 31 March, 2016. The firm's debt protection metrics are weak as its operating profitability is just able to meet its interest payment obligations. ICR stands at 1.04 times for FY2015-16 as compared to 1.05 times for FY2014-15.

The firm's operations are working capital intensive as reflected in the high gross current assets of 208 days in FY2015-16. This is on account of the high Debtor levels of around 111 days. The inventory days are in the range of 70 – 90 days. The firm is also exposed to foreign exchange fluctuation risk as it generates around 50 per cent revenue from export to Belgium, Hong Kong, United States of America among others.

Rating Sensitivity Factors

- Sustainable and substantial growth in revenues with improvement in profitability
- Volatility in raw material prices impacting profitability
- Improvement in the financial risk profile

Criteria to arrive at the rating:

- Manufacturing Entities

About the Firm

The Mumbai-based Riddhi Gems Exports LLP, a partnership firm, was incorporated in 2014, by Mr. Jignesh K Shah, Mr. Sandeep K. Shah and Mr. Kirti Kumar D Shah. The firm is engaged in the manufacturing and processing of polished diamonds and also outsources job-work on contract basis.

In FY2015-16, the firm reported profit after tax (PAT) of Rs.0.03 crore on operating income of Rs.25.03 crore against PAT of Rs.0.002 crore on operating income of Rs.3.20 crore in the previous year.

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ABOUT SMERA

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