

Press Release

Riddhi Gems Exports LLP (RGEL)

30 January, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer annexure for details*

SMERA has reaffirmed the short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs. 8.00 crore bank facilities of Riddhi Gems Exports LLP (RGEL).

The Mumbai-based Riddhi Gems Exports LLP, a partnership firm was established in 2014 by Mr. Jignesh K Shah, Mr. Sandeep K Shah and Mr. Kirtikumar D Shah. The firm is engaged in the processing and export of polished diamonds.

Key rating drivers

Strengths

Experienced management

The partners, Mr. Jignesh K Shah, Mr. Sandeep K Shah and Mr. Kirtikumar D Shah possess experience of almost two decades in the gems and jewellery industry. RGEL backed by its experienced management has established long term relations with customers globally.

Improving trend in operating income

The revenues of RGEL improved to Rs. 49.08 crore in FY2017 from Rs. 25.03 crore in FY2016. Further, during the period April 2017 to December 2017, the firm registered revenue of ~Rs. 62.00 crore.

Weaknesses

Declining profitability

The operating margins of RGEL declined to 1.84 percent in FY2017 from 3.09 percent in FY2016 mainly on account of increase in raw material cost. However, PAT margins fell to 0.03 percent in FY2017 from 0.12 percent in FY2016 due to increase in interest cost.

Below average financial risk profile

RGEL has below average financial risk profile marked by tangible net worth of Rs.3.53 crore as on 31 March, 2017 as against Rs. 3.20 crore as on 31 March, 2016. This includes unsecured loan of Rs.0.99 crore as on 31 March, 2017 considered as quasi equity. The adjusted gearing stood at 1.67 times as on 31 March, 2017 compared to Rs.1.98 crore as on 31 March, 2016. The total debt

mainly consists of working capital borrowings of Rs. 5.90 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 1.02 times for FY2017 and 1.04 times in FY2016. Going forward, SMERA expects the firm to maintain its financial risk profile in the near to medium term in the absence of major debt funded capex plans.

Working capital intensive operations

RGEL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 179 days in FY2017 as compared to 196 days in the previous year. The GCA days are mainly dominated by high debtor days of 132 days in FY2017 and 111 days in FY2016. The average utilisation for the past six months stood at ~90 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Competitive and fragmented industry

RGEL operates in a highly competitive and fragmented gems and jewellery industry characterised by a large number of organised as well as unorganised players affecting margins.

Analytical approach:

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

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	49.08	25.03	3.20
EBITDA	Rs. Cr.	0.91	0.77	0.08
PAT	Rs. Cr.	0.01	0.03	0.00
EBITDA Margin	(%)	1.84	3.09	2.41
PAT Margin	(%)	0.03	0.12	0.08
ROCE	(%)	9.69	12.37	5.54
Total Debt/Tangible Net Worth	Times	1.67	1.98	0.00
PBDIT/Interest	Times	1.02	1.04	1.05
Total Debt/PBDIT	Times	6.41	8.20	-
Gross Current Assets (Days)	Days	179	196	1248

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	Packing Credit	Short Term	3.50	SMERA A4 (Assigned)
	Post Shipment Credit	Short Term	4.50	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
Packing Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4 (Reaffirmed)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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