

Press Release

Riddhi Gems Exports LLP

April 30, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.8.00 cr. bank facilities of RIDDHI GEMS EXPORTS LLP (RGEL). The outlook is '**Stable**'.

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.

Analytical Approach

Acuite has considered standalone business and financial risk profiles of Riddhi Gems Exports LLP to arrive at the rating.

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.

Weaknesses

- **Below average financial risk profile**

The financial risk profile of RGEL is below average marked by net worth of Rs.3.37 crore (including quasi equity of Rs.0.99 crore) as on 31 March 2018 as against Rs.3.53 crore (including quasi equity of Rs.0.99 crore) in the previous year. The partners have withdrawn capital in FY2018. Gearing (debt-equity) stood at 1.73 times as on 31 March 2018 as against 1.67 times as on 31 March 2017. The coverage indicators stood below average marked by interest coverage ratio (ICR) of 1.10 times for FY2018 as against 1.02 times for FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood high at 10.82 times as on 31 March 2018. Acuite believes the financial risk profile of the firm will remain below average in near to medium term.

- **Deteriorating working capital management**

The working capital of RGEL has deteriorated in FY2018 over FY2017. The gross current asset (GCA) stood at 210 days for FY2018 as against 179 days in the previous year. The elongation in GCA days majorly pertains to increase in debtor days which stood at 169 for FY2018 as against 116 days in the previous year. Further, the average bank limit utilisation stood full for last three months ending March 2018.

- **Declining profitability**

The operating margins of RGEL declined to 1.51 per cent in FY2018 as against 1.84 per cent in FY2017 and 3.09 per cent in FY2016. Further, the PAT margins stood thin at 0.14 per cent in FY2018 and 0.03 per

cent in FY2017.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	68.40	49.08	25.03
EBITDA	Rs. Cr.	1.03	0.91	0.77
PAT	Rs. Cr.	0.10	0.01	0.03
EBITDA Margin	(%)	1.51	1.84	3.09
PAT Margin	(%)	0.14	0.03	0.12
ROCE	(%)	11.24	9.69	12.37
Total Debt/Tangible Net Worth	Times	1.73	1.67	1.98
PBDIT/Interest	Times	1.10	1.02	1.04
Total Debt/PBDIT	Times	5.56	6.41	8.20
Gross Current Assets (Days)	Days	210	179	196

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
30-Jan-2018	Packing Credit	Short Term	3.50	ACUITE A4 (Reaffirmed)
	Post Shipment Credit	Short Term	4.50	ACUITE A4 (Reaffirmed)
26-Oct-2016	Packing Credit	Short Term	3.50	ACUITE A4 (Assigned)
	Post Shipment Credit	Short Term	4.50	ACUITE 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	ACUITE A4 (Reaffirmed)
Post shipment Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4 (Reaffirmed)

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About Acuite Ratings & Research:

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