

Press Release

DIABU DIAMOND TOOLS (INDIA) PRIVATE LIMITED

06 March, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.95 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.10.95 crore bank facilities of DIABU DIAMOND TOOLS (INDIA) PRIVATE LIMITED (DDTPL). The outlook is '**Stable**'.

Diabu Diamond Tools India Private Limited incorporated in 1993 was promoted by Mr. Vippen Sareen (Managing Director) and Mr. Venkatesh Maitreya (Director). The company commenced commercial operations in the manufacturing of cutting tools in 2004 with installed capacity of 19, 00,000 pieces per annum.

Key Rating Drivers

Strengths

• **Established operational track record, experienced management**

DDTPL incorporated in 1993 is engaged in the manufacturing of cutting tools. The company is promoted by Mr. Vippen Sareen and Mr. Venkatesh Maitreya with extensive experience in the diamond tools manufacturing industry.

• **Above average risk profile**

The above average financial risk profile is marked by moderate networth, comfortable gearing and healthy debt protection metrics. The net worth stood moderate at Rs.15.67 crore in FY2017, an increase from Rs.14.95 crore in FY2016. This is mainly on account of retention of current year profit. The gearing of the company stood comfortable at 0.63 times in FY2017, a decline from 0.72 times in FY2016. The Interest Coverage Ratio (ICR) stood healthy at 2.46 times in FY2017 compared to 2.46 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood comfortable at 2.11 times in FY2017 compared to 1.84 times in FY2016. The net cash accruals against total debt stood at a moderate 0.12 times in FY2017 and 0.08 times in FY2016.

Weaknesses

• **Moderate scale of operations**

The scale of operations is moderate at Rs.20.62 crore in FY2017 compared to Rs.20.92 crore in FY2016. The company registered revenue of Rs.18.00 crore till January 2018.

• **Working capital intensive operations**

The operations are working capital intensive as reflected in the Gross Current Assets (GCA) of 332 days in FY2016-17, compared to 327 days in FY2015-16. The high GCA days emanate from the

collection period and inventory days of 220 and 82 in FY2017. The operations are expected to remain capital intensive, as the company is engaged in the manufacturing of diamond cutting tools. This leads to a relatively high collection and inventory period and inherent cyclical nature of the machinery manufacturing industry.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company.

Outlook: Stable

SMERA believes that DDTPL will continue to maintain a Stable outlook over the medium term owing to its experienced and technically qualified management. The outlook may be revised to 'Positive' if the company reports significant improvement in revenue while maintaining operating profitability, leading to considerably large cash accruals. This reflects in a healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile or higher than expected working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	21.07	20.92	20.88
EBITDA	Rs. Cr.	2.52	2.56	2.48
PAT	Rs. Cr.	0.73	0.47	0.74
EBITDA Margin (%)	(%)	11.94	12.23	11.86
PAT Margin (%)	(%)	3.45	2.25	3.56
ROCE (%)	(%)	8.03	8.40	15.71
Total Debt/Tangible Net Worth	Times	0.63	0.72	0.73
PBDIT/Interest	Times	2.46	2.46	2.63
Total Debt/PBDIT	Times	3.91	4.20	4.31
Gross Current Assets (Days)	Days	325	327	296

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

NA

Any other information

NA

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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
	Cash Credit	Long Term	INR 6.5	SMERA BB / Stable

07-Dec-2016	Ad-hoclimits(FundBased)	Long Term	INR 0.35	SMERA BB / Stable
	Term Loan	Long Term	INR 1.1	SMERA BB / Stable
	Letter of Credit	Short Term	INR 3	SMERA A4+

*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	7.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.95	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+

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ABOUT SMERA

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