



**Press Release**  
**Diabu Diamond Tools (India) Private Limited**  
**July 31, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.95	ACUITE BB   Stable   Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	10.95	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 10.95 crore bank facilities of Diabu Diamond Tools (India) Private Limited (DDTL). The outlook is '**Stable**'

**Rationale for reaffirmation**

The rating reaffirmation is on account of stable operating performance of the company as the revenue of the company stood at Rs.25.14 Cr. in FY2024 (Prov.) compared to revenue of Rs.24.59 Cr. in FY2023. The growth is driven by both increase in volume sold and improved realisation. Further, the revenue for Q1FY2025 is ~Rs.7.00 crore. The operating margin stood at 9.97 percent in FY2024 (Prov.) as against 10.76 percent in FY2023. The rating also draws comfort from experienced management, moderate financial risk profile and long operational track record of the company. However, the rating remains constrained by the working capital intensive nature of operations and highly fragmented and competitive nature of the industry.

**About the Company**

DDTL, based at Bangalore (Karnataka), was incorporated in 1993. The company is engaged in manufacturing of cutting tools since 2004. The manufacturing facility is located at Bangalore with an installed capacity of 7,50,000 pieces per annum of diamond cutting tools and 42,000 meters per annum of diamond wires. The directors of the company are Mr. Arvind Kumar Sharma, Mr. Satya Prakash Venkatesh, Mr. Michael Jank And Mr. Dirk Buttner.

**Unsupported Rating**

Not Applicable

## **Analytical Approach**

Acuité has considered the standalone business and financial risk profile of DDTL to arrive at the rating.

## **Key Rating Drivers**

### **Strengths**

## **Experienced management and long operational track record**

DDTL has established presence of over a decade since 2004 in the manufacture of cutting tools line of business. The company is Indian subsidiary of Heinz Büttner GmbH, Diabü Diamantwerkzeuge, a 50-year old German company and one of Europe's leading diamonds tools Company. The promoters possess over two decades of experience in the same line of business supported by stable revenue growth over the years. The extensive experience of the promoters and group has helped the company to maintain longstanding relations with its suppliers and customers.

Acuité believes that the company will benefit from its longstanding relationship with clients and experience of the promoters.

## **Moderate Financial Risk Profile**

DDTL has moderate financial risk profile marked by moderate tangible net worth, low gearing levels and debt protection matrices. The tangible net worth of the company stood at Rs.20.44 crore as on 31 March, 2024 (Prov.) as against Rs.18.60 crore as on 31 March, 2023. The company follows a moderate leverage policy as observed in the low gearing level of the company which stood at 0.57 times as on 31 March, 2024 (Prov.) as against 0.83 times as on 31 March, 2023. The total debt outstanding of Rs.11.57 crore consists of working capital borrowings of Rs.6.73 crore, unsecured loan from promoters of Rs.2.84 crore and term loan of Rs.2.00 crore as on 31 March, 2024 (Prov.) The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 2.03 times for FY2024 (Prov.) against 2.04 times for FY2022. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.34 times for FY2024 (Prov.) against 1.11 times for FY2023. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 0.78 times as on March 31, 2024 (Prov.) against 1.10 times as on March 31, 2023.

Acuite believes that the financial risk profile of the company is expected to remain moderate in the absence of any debt funded capex plan.

## **Weaknesses**

### **Working capital intensive nature of operations**

The operations of the company are of working capital intensive nature marked by high GCA of 265 days for FY2024 (Prov.). The high GCA days are on account of high debtor days of 188 for FY2024 (Prov.) as against 213 days for FY2023. The inventory days are moderate and stood at 72 days for FY2024 (Prov.) as against 95 days for FY2023. The creditor days stood at 44 days for FY2024 (Prov.) as against 63 days for FY2023. The working capital intensive nature of operations has led an higher utilisation of the working capital limits and stood at 85.36% for 12 months ended as on May 2024.

### **Highly fragmented and competitive industry**

The industry is marked by presence of large number of organized and unorganized players in the industry. The industry is intensely competitive and fragmented industry because of low entry barriers and moderate capital requirements. The high competitive intensity limits the pricing flexibility and exerts pressures on the margins of all participants. Further, the end user of the products are cyclical industries like gems and jewelry and real estate. However, the established brand presence, diversified geographical presence and experienced management mitigates the risk to some extent.

## **Rating Sensitivities**

- Substantial improvement in scale of operation while maintaining profitability margins
- Elongation in working capital cycle leading to higher reliance on working capital limits
- Deterioration in debt protection metrics and liquidity profile

## **Liquidity Position**

## **Adequate**

The liquidity position of the company is adequate marked by low net cash accruals. The company generated net cash accruals of Rs.1.12 crore for FY2024 (Prov.) as against the repayment obligation of Rs.0.52 crore. The utilisation of the working capital limits is higher and stood at 85.36% for 12 months ended May 2024. Going ahead, the net cash accruals are expected to remain in the range of Rs.1.00-2.10 crore for the year FY2025-FY2026 against maturing debt obligation of Rs.0.30-0.90 crore during the same period.

## **Outlook: Stable**

Acuité believes that DDTL 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 and scale of operations while maintaining operating profitability, leading to higher cash accruals. 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.

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	25.14	24.59
PAT	Rs. Cr.	0.50	0.53
PAT Margin	(%)	1.99	2.16
Total Debt/Tangible Net Worth	Times	0.57	0.83
PBDIT/Interest	Times	2.03	2.04

### 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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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, Acuité 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 May 2023	Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	7.40	ACUITE BB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.58	ACUITE BB   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.97	ACUITE BB   Stable (Reaffirmed)
18 Apr 2022	Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	7.40	ACUITE BB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.58	ACUITE BB   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.97	ACUITE BB   Stable (Reaffirmed)
02 Feb 2021	Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	7.40	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	0.30	ACUITE BB   Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1.25	ACUITE BB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.40	ACUITE BB   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Covid Emergency Line.	17 Nov 2021	Not avl. / Not appl.	17 Oct 2026	Simple	0.56	ACUITE BB   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A4+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.79	ACUITE BB   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	04 Feb 2022	Not avl. / Not appl.	04 Jan 2026	Simple	0.20	ACUITE BB   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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