

Press Release

Pratiksha Gems (PG)

06 April, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B+/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed a long-term rating of '**SMERA B+**' (read as **SMERA B plus**) to Rs.6.00 crore bank facilities of Pratiksha Gems.

Pratiksha Gems (PG), established as a partnership firm in 2002, is engaged in processing of rough diamonds to polished diamonds. PG is promoted by Mr. Devrajbhai Mania, Mr. Ashokbhai Mania and Mr. Dineshbhai Mania. The firm has its manufacturing facility located in Surat, Gujarat. The firm supplies to local as well as export markets.

Key Rating Drivers

Strengths

- **Established track record of promoters**

The partners of PG have more than three decades of experience in the diamond industry. They have developed long-standing relationships with various clients and suppliers.

- **Moderate financial risk profile**

The financial risk profile of PG is moderate with gearing level (debt-to-equity ratio) of 1.35 times as on March 31, 2017 as compared to 1.62 times on March 31, 2016. Total debt of Rs. 5.63 crore consists of Rs 0.92 crore of term loan and Rs 4.71 crore of short-term borrowing as on March 31, 2017. The Interest coverage ratio stood at 1.20 times for FY 2017 as compared to 1.20 times for FY 2016. The net worth stood at Rs. 4.71 crore as on March 31, 2016.

Weaknesses

- **Working capital intensive operations**

The operations of PG are working capital intensive with Gross Current Asset of 302 days in FY 17. Debtor days for PG have declined from 181 days in FY2015-16 to 117 days in FY2016-17. The working capital intensity is due to the competitive nature of the industry and consequently high credit period offered to the customers.

- **Strong competition from large number of players in the organized and unorganized sector**

The gems & jewelry (G&J) industry is characterized by the presence of large number of organized and unorganized players and high competition amongst them leading to pressure on margins. There are about 15,000 players across the country in the gold processing industry, 450,000 gold smiths spread across the country and more than 6,000 players in the diamond-processing industry.

Analytical Approach

SMERA has considered standalone financials of PG for arriving at the rating.

Outlook: Stable

SMERA believes that PG will continue to benefit over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and improved profitability while improving financial risk profile and liquidity position. Conversely, the outlook may be revised to negative if there is steep decline in company's revenues and profitability or deterioration in company's financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.82	23.37	20.13
EBITDA	Rs. Cr.	0.88	0.83	0.69
PAT	Rs. Cr.	0.10	0.09	0.09
EBITDA Margin	(%)	3.68	3.55	3.43
PAT Margin	(%)	0.43	0.39	0.47
ROCE	(%)	8.66	8.74	8.62
Total Debt/Tangible Net Worth	Times	1.35	1.62	1.48
PBDIT/Interest	Times	1.20	1.20	1.23
Total Debt/PBDIT	Times	6.42	7.05	7.26
Gross Current Assets (Days)	Days	302	340	320

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

Not Applicable

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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
March 21, 2017	Cash Credit	LT	4.82	SMERA B+/Stable (Assigned)
	Term loan	LT	0.10	SMERA B+/Stable (Assigned)
	Term loan	LT	0.87	SMERA B+/Stable (Assigned)
	Proposed	LT	0.21	SMERA B+/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.82	SMERA B+/Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA B+/Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.87	SMERA B+/Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.21	SMERA B+/Stable (Reaffirmed)

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