

Press Release

H Riddhesh And Co

31 July, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 9.00 crore bank facilities of H Riddhesh And Co.

H Riddhesh & Co (HRC), a partnership firm established in 2001 is led by Mr. Samkit Gandhi. The firm is engaged in the processing of diamonds at Surat and has installed capacity of 300 pcs of diamonds per month. The firm is largely into exports and realises 60 per cent revenue from Dubai, Hong Kong, and UAE and the rest from the domestic market.

Key Rating Drivers

Strengths

- Experienced management**

Mr. Samkit Gandhi, Partner, has 15 years of experience in the gems and jewellery industry.

- Average financial risk profile**

The average financial risk profile is marked by, moderate net worth of Rs. 7.06 crore as on 31 March, 2016 and high gearing of 1.97 times, which mainly consists of short term debt and unsecured loan from relatives. The interest coverage ratio is comfortable at 2.52 times and debt service coverage ratio stood at 2.52 times in FY2016. The net cash accruals against total debt stood at a moderate 0.10 times in FY2016.

Weaknesses

- Thin profit margins**

The operating margin has been moderate at 3.25 per cent in FY2016, a decrease from 3.63 per cent in FY2015 mainly due to increase in direct cost. The PAT margin too decreased to a moderate 1.48 per cent in FY2016 as against 1.66 per cent in FY2015 mainly due to increase in interest cost.

- Working capital intensive operations**

The operations are working capital intensive, evident from the high gross current asset days of 309 during FY2016 - an increase from 264 days in FY2015. This necessitates working capital requirements as major funds gets blocked in inventory. The inventory days stood at 289 days in FY2016 compared to 150 days in FY2015, due to the lengthy process of diamond processing.

Analytical Approach

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

About the Rated Entity - Key Financials

For FY2015-16, HRC reported profit after tax (PAT) of Rs 1.01 crore on total operating income of Rs.68.34 crore, compared with PAT of Rs.0.95 crore on total operating income of Rs.57.31 crore in FY2014-15.

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA A4+
FBN/FBP/FBD/PSFC/FBE/FDBD	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA A4+

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