

Press Release

H Riddhesh And Co

December 17, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 9.00 crore bank facilities of H Riddhesh And Co (HRC).

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 pieces 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.

Analytical Approach

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

Key Rating Drivers:

Strengths

- **Long track record of operations and experienced management**

HRC commenced operations from 2001. The firm is promoted by its partners, Mr. Samkit R Gandhi, Mr. Dineshbhai D Gandhi, Mr. Harshit L Gandhi, Mr. Laherchand D Gandhi and Mr. Riddesh D Gandhi who possess experience of more than a decade in gems and jewellery industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuité believes that HRC will continue to benefit from its experienced management and established relationships with customers.

- **Healthy scale of operations and stable profitability**

The company has reported consistent revenue growth with compounded annual growth rate (CAGR) of around 13.00 percent through the last four years ended 31 March, 2018. The company reported moderate revenue growth of ~5.00 percent with operating income of Rs.82.14 crore in FY2018 as against operating income of Rs.78.71 crore in FY2017. The operating margins of the firm increased marginally to 3.81 percent in FY2018 from 3.75 percent in FY2017.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by moderate net worth, debt protection measures and gearing. The net worth of the firm is moderate at Rs.9.66 crore as on 31 March, 2018 as against Rs.6.91 crore as on 31 March, 2017. The gearing of the company has stood moderate at 1.10 times as on March 31, 2018 as against 2.88 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved to 3.70 times as on 31 March, 2018 from 6.78 times as on 31 March, 2017. The consistent growth in revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) stood at 1.95 times in FY2018 as against 2.03 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.15 times as on 31 March, 2018 as against 0.08 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.95 times for FY2018 as against 2.03 times in FY2017. Acuité believes that the financial risk profile of HRC will continue to remain moderate over the medium term on account of its improving scale of operations.

Weaknesses

• Intensive working capital operations

HRC has intensive working capital operations marked by Gross Current Assets (GCA) of 190 days in FY2018 as against 237 days in FY2017. The inventory and debtor levels stood at 165 days and 26 days in FY2018 as against 223 days and 20 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at ~100 percent in the last six months. Acuite believes that the working capital requirements will continue to remain intensive over the medium term due to high inventory levels maintained by the firm.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	82.14	78.71	68.34
EBITDA	Rs. Cr.	3.13	2.95	2.22
PAT	Rs. Cr.	1.25	1.18	1.01
EBITDA Margin	(%)	3.81	3.75	3.25
PAT Margin	(%)	1.52	1.50	1.48
ROCE	(%)	12.17	11.07	10.04
Total Debt/Tangible Net Worth	Times	1.10	2.88	1.97
PBDIT/Interest	Times	1.95	2.03	2.52
Total Debt/PBDIT	Times	3.36	6.68	6.25
Gross Current Assets (Days)	Days	190	237	309

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

CRISIL, vide its press release dated March 01, 2018 had denoted the rating of H Riddhesh and Co as „CRISIL A4+; ISSUER NOT COOPERATING/Withdrawal" on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at „CRISIL A4+; ISSUER NOT COOPERATING" vide its press release dated September 18, 2017.

Any other information

“Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups”

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.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
18th Aug 18	Packing Credit	Short Term	4.50	ACUITE A4+ (Indicative)
	Post Shipment Credit	Short Term	4.50	ACUITE A4+ (Indicative)
31st Jul 17	Packing Credit	Short Term	4.50	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. Cr.)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4+ (Reaffirmed)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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