

Press Release

Parth Diamond Private Limited

12 September, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Ratings	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of **SMERA A4** (read as SMERA A4) on the Rs. 12.00 crore bank facilities of Parth Diamond Private Limited (PDPL). The outlook is '**Stable**'.

The Mumbai-based Parth Group (PG), established in 2000 is engaged in the manufacturing of gold and diamond-studded jewellery. The group caters to reputed retailers in the domestic market. The manufacturing facility located at Mumbai has an installed capacity of 174302 grams of diamond studded jewellery per year. The group procures cut and polished diamonds from suppliers in Surat, Gujarat. The operations are spread across Mumbai, Bangalore, Chandigarh, Delhi and other cities. The other group companies are Parth Diamond Private Limited (PDPL) and Parth Fine Jewels promoted by Mr. Vaishal Jariwala and family.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced promoters:

PG was established in 2000 by the Mumbai-based Jariwala family that collectively possesses more than four decades of experience in the gems and jewellery industry. The group is engaged in the manufacturing of plain and diamond studded jewellery for the last 17 years. The group caters to reputed clients including Titan Company Limited, Eurostar Jewels International, Notandas Gems Private Limited among others. SMERA expects the group to maintain its business risk profile going forward on account of its experienced promoters and established presence in the industry.

Moderate financial risk profile:

PG has moderate financial risk profile marked by gearing of 0.87 times (Provisional) as on 31 March, 2017 as against 1.11 times in the previous year. The total debt of Rs.10.54 crore (Provisional) as on 31 March, 2017 includes only short term borrowings. The interest coverage ratio (ICR) stood at 1.85 times (Provisional) in FY2017 compared to 1.74 times in FY2016. The group has tangible networth of Rs. 12.11 crore (Provisional) as on 31 March, 2017 as against Rs.11.44 crore in the previous year. The total outside liabilities/tangible networth (TOL/TNW) stood at 2.39 times (Provisional) as on 31 March, 2017 against 1.68 times as on 31 March, 2016.

Weaknesses:

Uneven revenue trend

PG has reported operating income of Rs.59.79 crore (Provisional) for FY2016-17 as against Rs.65.85 crore in FY2015-16 and Rs.50.83 crore in FY2014-15. The group has reported uneven revenue trend during the last three years. Further, the group is also exposed to intense competition from organised and unorganised players in the industry.

Going forward, SMERA expects a moderate revenue growth on the back of established relations with customers and growing demand for diamond-studded jewellery.

Working capital intensive operations

The operations are working capital intensive marked by high gross current asset days (GCA) of 216 (Provisional) during FY2017 as against 136 days for FY2016. This is on account of stretched inventory days of 161 (Provisional) for FY2017 as against 97 days in the previous year. The group has to maintain high inventory of raw material and finished goods to meet customer requirements on time. Further, the cash credit facility has been fully utilised during the last six months ended July 2017.

Customer concentration risk

The group is exposed to high customer concentration risk. The group derives 83 percent revenue from a single customer - Titan Company Limited which limits the bargaining power.

Analytical approach

While assigning the rating, SMERA has taken into account the consolidated business and financial risk profile of Parth Diamond Private Limited and Parth Fine Jewels. The consolidation is in view of the common management, common manufacturing facilities as well as significant operational and financial linkages. Parth Diamond Private Limited (PDPL) outsources its entire manufacturing activity to Parth Fine Jewels.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that the outlook will remain stable over the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while improving its liquidity profile.

Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position due to higher than expected working capital requirements or major debt funded capex plan.

About the Rated Entity –Key Financials

For FY2016-17, the Parth Group reported profit after tax (PAT) of Rs.0.68 crore (Provisional) on total operating income of Rs.59.79 crore compared with PAT of Rs 0.37 crore on total operating income of

Rs.65.85 crore in FY2016. The tangible net worth stood at Rs. 12.11 crore (Provisional) as on 31 March, 2017 as against Rs. 11.44 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): CRISIL, vide release dated July 21, 2016 has suspended the ratings of PDPL on account of lack of adequate information required for monitoring of ratings.

Any other information: Not Applicable

Rating History for the last three years:

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Line of Credit (CC cum FBP/FBD/PC/LC cum buyer's Credit interchangeability to BG)	N.A	N.A	N.A.	10.50 [^]	SMERA BB-/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A.	1.50	SMERA A4 (Assigned)

[^]Includes sublimit of FBP/FBD and Packing Credit to the extent of Rs. 2.50 crore each.

[^]Includes sublimit of Letter of Credit cum Buyer's Credit with interchangeability to Bank Guarantee to the extent of Rs. 2.50 crore.

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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