

## Press Release

Parth Diamond Private Limited

November 30, 2018



**Rating Reaffirmed**

<b>Total Bank Facilities Rated*</b>	Rs. 12.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 12.00 crore bank facilities of Parth Diamond Private Limited (PDPL). The outlook is '**Stable**'.

Established in 2000, PDPL is a Mumbai-based company engaged in manufacturing of gold and diamond-studded jewellery. The company has its manufacturing unit located at Surat (Gujarat) from where it procures cut and polished diamonds. The company caters to reputed clients such as Titan Company Limited.

### About the Group

Parth Group (PG) is promoted by Mr. Vaishal Jairwala and family. It consists of Parth Diamond Private Limited and Parth Fine Jewel. Parth Fine Jewel undertakes jobwork activity of diamond cutting for Parth Diamond Private Limited. PG has its operations spread across Mumbai, Bangalore, Chandigarh, Delhi and other cities. Extent of Consolidation : Full.

### Analytical Approach

Acuité has considered consolidation of business and financial profiles of Parth Diamond Private Limited and Parth Fine Jewels together known as 'Parth Group' (PG). The consolidation is view of the common management, strong operational and financial synergies within the group.

### Key Rating Drivers

#### Strengths

- **Experienced management**

PG was established in 2000 by the Mumbai-based Jairwala family who collectively possess nearly two decades of experience in the gems and jewellery industry. The group is engaged in manufacturing of plain and diamond studded jewellery for the last 18 years. The group caters to reputed clients including Titan Company Limited, Eurostar Jewels International and Notandas Gems Private Limited, among others.

Acuité expects the group to maintain its business risk profile going forward on account of its experienced promoters and established presence in the industry.

- **Comfortable financial risk profile**

The financial risk profile is comfortable marked by tangible net worth of Rs.12.05 crore as on 31 March, 2018 as against Rs.12.01 crore in the previous year. The gearing stood comfortable at 0.95 times as on 31 March, 2018 as against 0.88 times in the previous year. The total debt of Rs.11.42 crore includes term loan from bank of Rs.0.25 crore, working capital borrowing of Rs.11.00 and unsecured loans of Rs. 0.17 crore. Interest Coverage Ratio (ICR) stood at 1.96 times in FY2018 as against 1.90 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.09 times as on 31 March, 2018 as against 2.51 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.08 times in FY2018 compared to 0.10 times in FY2017.

Going forward, Acuité expects the company to maintain its financial risk profile in the absence of major debt funded capex plan.

## Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 173 days in FY2018 as compared to 227 days in FY2017. The GCA days are mainly dominated by high inventory holding of 135 days in FY2018 compared to 171 days in FY2017. The collection period stood at 31 days in FY2018 compared to 58 days in FY2017. The average cash credit utilisation for the past six months is fully utilised.

Acuité believes that the efficient working capital management will be crucial in order to maintain a stable credit profile.

- **Uneven revenue trend with fluctuating profitability margins**

PG has small scale of operations marked by operating income of Rs.67.13 crore in FY2018 as against Rs.59.65 crore in FY2017 and Rs.65.09 crore in FY2016. The company has booked revenue of Rs.37.70 crore for April to October, 2018.

Further, the company's operating margins have shown a fluctuating trend of 4.03 percent in FY2018 as against 4.90 percent in FY2017 and 19.27 percent in FY2016. The company reported Profit after Tax (PAT) margin of 0.51 percent in FY2018 against 0.97 percent in FY2017 and 15.49 percent in FY2016.

Acuité believes that the group's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

## Outlook: Stable

Acuité believes that PG's outlook will remain 'Stable' and the company will benefit over the medium term backed by its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues and profitability while improving working capital cycle. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	67.13	59.65	65.09
EBITDA	Rs. Cr.	2.71	2.92	12.54
PAT	Rs. Cr.	0.34	0.58	10.08
EBITDA Margin	(%)	4.03	4.90	19.27
PAT Margin	(%)	0.51	0.97	15.49
ROCE	(%)	9.88	11.31	99.98
Total Debt/Tangible Net Worth	Times	0.95	0.88	1.11
PBDIT/Interest	Times	1.96	1.90	7.34
Total Debt/PBDIT	Times	4.02	3.37	0.99
Gross Current Assets (Days)	Days	173	227	137

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

CRISIL, vide its press release dated February 22, 2018 had denoted the rating of Parth Diamond Private Limited as 'CRISIL B/Stable/CRISIL A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

## Any other information

Not Applicable

## 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-20.htm>

- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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
12-Sep-2017	Standby Line of Credit	Long Term	10.50^	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Long Term	1.50	ACUITE 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.

**\*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	10.50^	ACUITE BB- / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)

^Includes sublimit of Letter of Credit cum Buyer's Credit with interchangeability to Bank Guarantee to the extent of Rs. 5.00 crore.

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**About Acuité Ratings & Research:**

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