

Press Release

Parth Diamond Private Limited

May 31, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr. (Enhanced from Rs. 12.00 Cr.)
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 12.00 crore bank facilities of Parth Diamond Private Limited (PDPL). Further, Acuite has assigned the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 3.00 crore bank facilities of 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 like 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 Jewels undertakes job work activity of diamond cutting for Parth Diamond Private Limited. PG has its operations spread across Mumbai, Bangalore, Chandigarh, Delhi and other cities.

Analytical Approach

Acuite has considered consolidated 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.

Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- Established track record of promoters in gems and jewellery industry**

Parth group is promoted by Mumbai-based Jariwala family who possess nearly two decades of experience in the gems and jewellery industry. The group is engaged in manufacturing of gold and diamond studded jewellery. The group has established relationship with reputed clients of over a decade and caters to reputed clients including Titan Company Limited, Eurostar Jewels International and Notandas Gems Private Limited, among others.

Acuite 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**

The financial risk profile is moderate marked by tangible net worth of Rs.12.61 crore as on 31 March, 2019 (prov) as against Rs.12.05 crore as on 31 March, 2018. The gearing stood moderate at 0.80 times as on 31 March, 2019 (prov) as against 0.95 times as on 31 March, 2018. The total debt of Rs.10.36 crore is entirely working capital borrowing from bank. Interest Coverage Ratio (ICR) improved marginally from 1.96 times as on March 31, 2018 to 2.02 times as on March 31, 2019 (prov). The total outside liabilities to tangible net worth (TOL/TNW) stood moderate at 1.83 times as on March 31, 2019 (prov) as compared to 2.09 times as on 31 March, 2018. The net cash accruals to total debt (NCA/TD) stood at 0.10 times as on March 31, 2019 (prov) as compared to 0.08 times as on March 31, 2019.

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

Weaknesses

• Uneven revenue trend with declining margins

PG has small scale of operations marked by operating income of Rs.64.61 crore in FY19 (prov) as against Rs. 67.13 crore in FY18 and Rs.59.65 crore in FY17. The decline in turnover during FY19 is on account of slowdown in demand during 4th quarter of FY19. Further, the EBITDA margins are in declining trend over the last three years under study and stood at 3.81 percent during FY19 (prov) as compared to 4.03 percent during FY18 and 4.90 percent during FY17.

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

• Working capital intensive nature of operations

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 173 days in FY19 (prov) and 173 days in FY18. The GCA days are mainly dominated by high inventory holding of 123 days in FY19 (prov) as compared to 135 days in FY18. The company has high inventory of finished goods as it have to maintain design samples. The collection period stood moderate at 42 days in FY19 (prov) as compared to 31 days in FY18.

Liquidity Position

Parth group has moderate liquidity position marked by moderate net cash accruals of Rs. 0.89 to 1.06 crore over FY17-19. Further, it has no long term debt outstanding which will support the liquidity for working capital funding. Bank limit utilisation was fully utilized for the six months ended April 30, 2019. Utilisation is expected to remain high on account of large working capital requirement. Expected cash accrual is ~Rs.1.45-1.23 crore over FY20-22. Current ratio was moderate at 1.20 times as on March 31, 2018.

Outlook: Stable

Acuite believes that PG's outlook will remain 'Stable' and the company will benefit over the medium term backed by its experienced management and established relationship with customers. 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	FY19 (Prov)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	64.61	67.13	59.65
EBITDA	Rs. Cr.	2.46	2.71	2.92
PAT	Rs. Cr.	0.52	0.34	0.58
EBITDA Margin	(%)	3.81	4.03	4.90
PAT Margin	(%)	0.80	0.51	0.97
ROCE	(%)	8.51	9.88	11.31
Total Debt/Tangible Net Worth	Times	0.82	0.95	0.88
PBDIT/Interest	Times	2.02	1.96	1.90
Total Debt/PBDIT	Times	4.08	4.02	3.37
Gross Current Assets (Days)	Days	173	173	227

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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>

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
30-Nov-2018	Cash Credit	Long term	10.50 [^]	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
12-Sep-2017	Standby Line of Credit	Long term	10.50 [^]	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50 [^]	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Assigned)

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

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About Acuité Ratings & Research:

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