

Press Release

Parth Diamond Private Limited

February 21, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	4.50	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long term rating of 'ACUITE BB-' (read as ACUITE double B minus) and the short term rating of 'ACUITE A4' (read as ACUITE A four) on the Rs.15.00 Crore bank facilities of Parth Diamond Private Limited (PDPL). The outlook is 'Stable'.

About Company

Established in 2000, PDPL is a Mumbai-based company engaged in manufacturing of gold and diamondstudded jewellery for domestic retailers on a contract basis. 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.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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

Key Rating Drivers

Strengths

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

PG is promoted by Mumbai-based Jariwala family who possesses nearly two decades of experience in the gems and jewellery industry. The group is engaged in manufacturing of gold and diamond-studded jewellery. PG has established relationship with reputed clients of over a decade and caters to reputed clients including Titan Company Limited, Reliance Retail among others.

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

Weaknesses

- **Moderate Financial risk profile**

The group has a moderate financial risk profile with moderate net worth, stable gearing and moderate debt protection metrics. TNW of the company is 13.17 crore as on March 2021 as opposed to 12.84 crore in March 2020. The gearing ratio stood at 0.96 times as on March 31, 2021, as opposed to 0.89 times as on March 31, 2020. The TOL/TNW of the group stood at 1.83 times as of March 2021 as against 1.87 times as of March 2020. The debt protection metrics have slightly deteriorated on a Y-O-Y basis. The ICR has weakened to 1.56 times for FY 2021 as against 1.67 times for the FY 2020. The DSCR stood at 1.43 times in FY2021.

- **Intensive Working capital cycle**

Parth Group has an intensive working capital cycle marked by GCA days up to 240 days in FY2021 from 216 days in FY2020. The increase in GCA days is driven by the deterioration in Inventory days from 158 days in FY2020 to 163 days in FY2021, the inventory days are higher as they are maintaining some designs ready as sample. The group's Debtors increased to 60 days in FY2021 as opposed to 45 days in FY2020. Creditor days of the group showed marginal improvement as it was 76 days in FY2021 as against 88 days in FY2020. The current ratio increased to 1.64 times as on March 31, 2021, as against 1.41 times as on March 31, 2020. The working capital limit utilization of the company stood at 95% for the last 9 months ended December 2021.

Rating Sensitivities

- Significant improvement in scale of operations while maintaining its profitability margins.
- Deterioration in the working capital cycle leading to stress on the debt protection metrics or the liquidity position of the company.

Material Covenants

None.

Liquidity Position: Adequate

The liquidity position remains adequate marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.73 crore as on March 31, 2021, as against Rs.0.90 crore as on March 31, 2020. The NCA/TD prevailed measly at 0.06 times as on March 31, 2021, as against 0.08 times as on March 31, 2020. The working capital limit utilization of the company stood at 95% for the last 9 months ended December 2021.

Outlook: Stable

Acuité believes that PG will maintain a 'Stable' outlook in the near to medium term on account of its experienced management and established track record of operations. The outlook may be revised to 'Positive' if the group registers higher-than-expected growth in revenues, profitability margins and net cash accruals while maintaining/improving its debt protection metrics and financial risk profile. The outlook may be revised to 'Negative' in case the group registers substantial decline in revenues or profitability margins or if the financial risk profile deteriorates due to higher than expected working capital requirements resulting in deterioration of the capital structure.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	50.41	53.79
PAT	Rs. Cr.	0.33	0.38
PAT Margin	(%)	0.66	0.70
Total Debt/Tangible Net Worth	Times	0.96	0.89
PBDIT/Interest	Times	1.56	1.67

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

None.

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Dec 2020	Cash Credit	Long Term	10.50	ACUITE BB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	3.00	ACUITE A4 (Reaffirmed)
31 May 2019	Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	3.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	10.50	ACUITE BB- Stable (Reaffirmed)
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	Long Term	1.50	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 Reaffirmed

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About Acuité Ratings & Research

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