

Press Release

Parth Diamond Private Limited

May 05, 2023



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	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and its 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**'.

Reason for rating reaffirmation

The rating reaffirmation factors in the improvement in the operating income and the established track record of operations of the Group of more than two decades in the gems and jewellery industry. It also factors in the good customer profile of the Group consisting of reputed clients like Titan India Limited, Reliance Retails Limited, etc. The ratings are however constrained by the working capital-intensive operations of the firm resulting in the high bank limit utilisation and the moderate financial risk profile of the Group.

About Company

Established in 2000, PDPL is a Mumbai-based company engaged in manufacturing of gold and diamond studded jewellery for domestic retailers on a contract basis. The company has its manufacturing unit located at Surat (Gujarat). The company caters to reputed clients like Titan Company Limited, Reliance Retails Limited, etc.

About the Group

The Parth Group is engaged in manufacturing of plain gold and diamond-studded jewellery for domestic retailers on contract basis. Parth Diamond Private Limited is the group company and Parth Fine Jewels is engaged in job work activity for Parth Diamond Private 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 and operational 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.

Stable operating performance albeit decline in the operating margins

Parth Group is engaged in the manufacturing of studded gold and diamond jewellery. The group's revenue stood at Rs.47.90 crore in FY2022 as against revenue of Rs. 48.55 crore in FY2021 as against revenue of Rs.50.48 crore in FY2020. The revenues declined in FY2022 due to the decrease in the orders from Titan India Limited. However, the Group's revenue stood at ~Rs.58.58 Crore in FY2023. The increase in the revenues of the company in FY23 is due to the healthy orders from Reliance Retails Limited and Shivbhoomi Infralogistics Private Limited. The Group's EBITDA margin stood at 4.09 percent in FY2022 as against 5.28 percent in the previous year FY2021. The marginal decline in the EBITDA margins is due to the increase in the prices of raw materials. The PAT margins stood at 0.91 percent in FY2022 as against 0.69 percent in FY2021. Acuité believes that PG is likely to maintain the stable operations in medium term.

Weaknesses

Average Financial risk profile

The Group's financial risk profile is average marked by the tangible net worth of the group stood at Rs. 13.61 crore as on March 31, 2022 as against Rs. 13.17 crore as on March 31, 2021. The group's gearing stood low at 0.89 times as on March 31, 2022, as against 0.96 times in the March 31, 2021. The total debt of Rs.12.07 crore as on March 31, 2022, consists of long-term borrowings of Rs.1.71 crore, unsecured loan of Rs.0.19 crore and short-term debt obligations of Rs.8.94 crore. The group has made additions to the long-term debt of Rs.1.15 crore in FY2022 for working capital purposes. The interest coverage ratio stood at 1.64 times in FY2022 as against 1.56 times in the previous year 2021. The DSCR stood below unity at 0.87 times in FY2022 as against 1.43 times in FY2021. Acuité believes that the ability of the Group to maintain and improve the financial risk profile will be a key rating sensitivity in medium term.

Intensive Working capital cycle

The operations of Parth Group are working capital intensive reflected by Gross Current Assets (GCA) of 279 days as on March 31, 2022, as against 249 days as on March 31, 2021. The inventory holding days stood at 186 days as on March 31, 2022, as against 170 days as on March 31, 2021. The average inventory holding period of the group is around 100 days. The inventory days are high as the company needs to stock up different types of jewellery samples. The debtor days stood at 75 days as on March 31, 2022, as against 63 days as on March 31, 2021. The average credit period allowed to the customers are around 60-90 days. The creditors days stood at 115 days as on March 31, 2022, as against 79 days as on March 31, 2021. The average creditor period received from the suppliers is around 45-60 days. Working capital requirement is funded through bank lines, the average utilisation of bank facilities is high at ~96 percent for 6 months ended as on March'2023. The company takes adhoc limits in the festive season, when the demand for the jewellery is high. Acuité believes that the ability of the Group to maintain the working capital operations will remain a key sensitivity in medium term.

Presence in highly competitive & fragmented industry with exposure to regulatory challenges

The country's gems and jewellery sector is highly fragmented. The retail segment has high dominance of unorganized players, who enjoy around 70 per cent market share. While in case of the manufacturing segment, the dominance of unorganized players is even higher at around 90 per cent. Moreover, increased regulatory intervention such as gold hallmarking, requirement of PAN, etc. impact the demand-supply trend in the sector. Furthermore, the fluctuation in gold prices also impact the demand for gold.

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 group.

Material Covenants

None

Liquidity position: Stretched

The Group's liquidity profile is stretched marked by low net cash accruals against maturing debt obligations. The group generated cash accruals of Rs.0.76 crore in FY2022 as against debt obligations of Rs.1.08 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.0.97- 1.81 crore during FY2023-25 against repayment obligations ranging from Rs.0.38 crore to Rs.0.76 crore for the same period. The average utilisation of bank facilities is ~96 percent for 6 months ended as on Mar 2023. The group maintains unencumbered cash and bank balances of Rs.0.12 crore as on March 31, 2022. The current ratio stood at 1.49 times as on March 31, 2022.

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 maybe 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	47.90	48.55
PAT	Rs. Cr.	0.44	0.33
PAT Margin	(%)	0.91	0.69
Total Debt/Tangible Net Worth	Times	0.89	0.96
PBDIT/Interest	Times	1.64	1.56

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Feb 2022	Proposed Bank Guarantee	Short Term	3.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BB- Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	4.50	ACUITE A4 Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.50	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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