

Press Release

Ratnakala Exports Private Limited

June 19, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 116.88 Cr.
Long Term Rating	ACUITE A-/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of **'ACUITE A-' (read as ACUITE A minus)** on the Rs.116.88 crore bank facilities of Ratnakala Exports Private Limited. The outlook is **'Stable'**.

Ratnakala Exports (RE) was established in 1985 as a proprietorship concern by Mr. Ranchhodbhai Detroja which was later converted into partnership firm in 1995. Later in 2009 Ratnakala Exports Private Limited (REPL) was incorporated to take over the running operations of RE. The company is engaged in the business of cutting and polishing of diamonds. REPL has its registered office in Mumbai and two factories in Gujarat.

Key Rating Drivers

Strengths

- **Experienced management and established presence in diamond industry**

The promoter, Mr. Ranchhod Detroja has an experience of over four decades in the diamond industry. Currently Mr. Mahesh R. Detroja, the second generation is also actively involved in the business. The promoters are equally supported by second line of management who is also well experienced in above mentioned industry.

Since inception, the company is engaged in the procurement of roughs and cutting and polishing of diamonds and trading these diamonds to jewellers, retailers, chain stores and ecommerce companies across the globe. REPL has wide geographic presence with the diamond exports to countries like Belgium, Hong Kong, USA among others.

- **Healthy financial risk profile**

REPL has healthy financial risk profile marked by healthy tangible net worth of Rs. 204.80 crore as on 31 March, 2018 (Provisional) as against Rs. 178.22 crore as on 31 March, 2017. The gearing stood healthy at 0.61 times as on 31 March 2018 (Provisional) as against 0.65 times as on 31 March 2017. The debt of Rs. 125.81 crore mainly consists of term loans of Rs. 2.70 crore, unsecured loans from promoters to the tune of Rs. 20.68 crore and working capital borrowings of Rs. 102.43 crore as on 31 March 2018 (Provisional). Interest Coverage Ratio (ICR) stood healthy at 10.77 times for FY 2018 (Provisional) as against 8.63 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.30 times as on 31 March, 2018 (Provisional) as against 1.06 times as on 31 March, 2017. Going forward, Acuite expects the company to maintain its financial risk profile in near to medium term in absence of major debt funded capex plans.

- **Improvement in revenues and strong liquidity position**

REPL registered revenues of Rs.758.32 crore in FY2018 (Provisional) as against Rs.670.72 crore in FY2017 as against Rs.560.89 crore in FY2016. In terms of profitability, the company reported operating margin of 6.20 per cent and net margins of 3.50 per cent in FY2018 (Provisional).

The company has strong liquidity with healthy net cash accruals of Rs.34.09 crore in FY2018 (Provisional) crore against negligible long term debt obligations. The net cash accrual to total debt (NCA/TD) of the company remained stable at 0.27 times as on 31 March, 2018 (Provisional).

Weaknesses

- **Moderate Working capital operations**

REPL is having moderate working capital cycle marked by Gross Current Asset (GCA) of 199 days in FY2018 (Provisional) as compared to 170 days in FY2017. The GCA days are mainly dominated by high inventory days of 120 days in FY2018 (Provisional) as compared to 135 days in FY2017. The average cash credit utilization for the past six months stood at ~85 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Competitive and fragmented industry**

REPL operates in a highly competitive and fragmented industry characterized by large number of unorganized players affecting margins.

Although the diamond industry is passing through the turmoil at present due the funding restrictions by the banks, Acuite expects, established players like REPL will be able to sustain the same on account of its established presence in the market.

- **Exposure to volatility and foreign exchange fluctuation risk**

REPL derives ~60 percent of its revenues from export sale making the profits are susceptible to fluctuation in forex rates and largely on volatility of diamond prices due to demand and supply of diamonds in the global market.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the REPL to arrive at this rating.

Outlook: Stable

Acuite believes the REPL will continue to maintain a stable business risk profile over the medium term. The company will benefit from its established market position and management's experience in the diamond industry. The outlook may be revised to 'Positive' in case the company achieves sustained growth in revenues and higher-than-expected improvement in profitability and improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of further decline in the company's operating profit margin, or in case of deterioration in the company's capital structure on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18(Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	758.32	670.72	560.89
EBITDA	Rs. Cr.	47.04	34.92	31.08
PAT	Rs. Cr.	26.54	17.66	14.95
EBITDA Margin	(%)	6.20	5.21	5.54
PAT Margin	(%)	3.50	2.63	2.67
ROCE	(%)	12.76	9.94	9.46
Total Debt/Tangible Net Worth	Times	0.61	0.65	0.87
PBDIT/Interest	Times	10.77	8.63	9.12
Total Debt/PBDIT	Times	2.65	3.28	4.50
Gross Current Assets (Days)	Days	199	170	241

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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Packing credit / Post shipment credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-/Stable
Post shipment credit#	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A-/Stable
Packing credit / Post shipment credit##	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A-/Stable
Export packing credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A-/Stable
Post shipment credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A-/Stable
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	6.88	ACUITE A-/Stable

Contains sublimit of Export Packing Credit to the extent of Rs. 11.00 crore and Bill discounting to the extent of Rs. 10.00 crore

Contains sublimit of Packing Credit to the extent of Rs. 11.00 crore Bill Discounting to the extent of Rs. 8.00 crore

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About Acuité Ratings & Research:

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