

Press Release

Ratnakala Exports Private Limited

January 17, 2020

Rating Withdrawal



Total Bank Facilities Rated*	Rs. 116.88 Cr.
Long Term Rating	ACUITE BB+

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 116.88 cr. bank facilities of Ratnakala Exports Private Limited.

The rating is being withdrawn on account of request received from the company and NOC received from the bankers.

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.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

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. 213.09 crore as on 31 March, 2019 as against Rs. 194.53 crore as on 31 March, 2018. The gearing stood healthy at 0.44 times as on 31 March 2019 as against 0.65 times as on 31 March 2018. The debt of Rs. 93.42 crore mainly consists of term loans of Rs. 2.95 crore, unsecured loans from promoters to the tune of Rs. 18.70 crore and working capital borrowings of Rs. 71.77 crore as on 31 March 2019. Interest Coverage Ratio (ICR) stood healthy at 13.31 times for FY 2019 as against 7.50 times in FY2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.88 times as on 31 March, 2019 as against 1.37 times as on 31 March, 2018.

Weaknesses

• Moderate Working capital operations

REPL's working capital is moderate marked by Gross Current Asset (GCA) of 144 days in FY2019 as compared to 194 days in FY2018. The GCA days are mainly dominated by high inventory days of 102 days in FY2019 as compared to 112 days in FY2018.

• **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.

• **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.

Liquidity position: Adequate

The company has adequate liquidity marked by healthy net cash accruals against debt obligations. The company generated cash accruals of Rs. 24.30 crore for FY2019 against no debt obligations for the same period. The company has moderate working capital nature of operations marked by GCA days of 144 days for FY2019. The company maintains unencumbered cash and bank balances of Rs. 11.34 crore as on 31 March, 2019. The current ratio stood at 2.14 times as on 31 March, 2019.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	873.39	757.76
PAT	Rs. Cr.	18.53	16.29
PAT Margin	(%)	2.12	2.15
Total Debt/Tangible Net Worth	Times	0.44	0.65
PBDIT/Interest	Times	13.31	7.50

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
12-Dec-19	Packing credit / Post shipment credit	Long term	10.00	ACUITE BB+ (Downgrade; Indicative)
	Post shipment credit#	Long term	21.00	ACUITE BB+ (Downgrade; Indicative)
	Packing credit / Post shipment credit##	Long term	28.00	ACUITE BB+ (Downgrade; Indicative)
	Export packing credit	Long term	21.00	ACUITE BB+ (Downgrade; Indicative)
	Post shipment credit	Long term	30.00	ACUITE BB+ (Downgrade; Indicative)

				Indicative)
	Proposed bank facility	Long term	6.88	ACUITE BB+ (Downgrade; Indicative)
30-Jul-19	Packing credit / Post shipment credit	Long term	10.00	ACUITE A- (Indicative)
	Post shipment credit#	Long term	21.00	ACUITE A- (Indicative)
	Packing credit / Post shipment credit##	Long term	28.00	ACUITE A- (Indicative)
	Export packing credit	Long term	21.00	ACUITE A- (Indicative)
	Post shipment credit	Long term	30.00	ACUITE A- (Indicative)
	Proposed bank facility	Long term	6.88	ACUITE A- (Indicative)
19-Jun-18	Packing credit / Post shipment credit	Long term	10.00	ACUITE A- / Stable (Assigned)
	Post shipment credit#	Long term	21.00	ACUITE A- / Stable (Assigned)
	Packing credit / Post shipment credit##	Long term	28.00	ACUITE A- / Stable (Assigned)
	Export packing credit	Long term	21.00	ACUITE A- / Stable (Assigned)
	Post shipment credit	Long term	30.00	ACUITE A- / Stable (Assigned)
	Proposed bank facility	Long term	6.88	ACUITE A- / Stable (Assigned)

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

***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 BB+ (Withdrawn)
Post shipment credit#	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE BB+ (Withdrawn)
Packing credit / Post shipment credit##	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BB+ (Withdrawn)
Export packing credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE BB+ (Withdrawn)
Post shipment credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BB+ (Withdrawn)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	6.88	ACUITE BB+ (Withdrawn)

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About Acuité Ratings & Research:

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