

Press Release
Jedi Dia India Private Limited
 August 25, 2020
Rating Reaffirmed & Withdrawn



Total Bank Facilities Rated*	Rs.7.50 Cr. (Revised from Rs.15.00 Cr.)
Short Term Rating	ACUITE A4(Reaffirmed & Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.7.50 crore bank facilities and has withdrawn the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.7.50 crore bank facilities of Jedi Dia India Private Limited (JDIPL).

Mumbai based Jedi Dia India Private Limited (JDIPL) was incorporated as a private limited company in 2013 and is promoted by Mr. Darpil Narendra Shah and Mr. Devang Sevantilal Shah. JDIPL is engaged in the trading and manufacturing of cut and polished diamonds of less than 1 carat and is totally into exports to Hong Kong and USA markets.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of JDIPL to arrive at this rating.

Key Rating Drivers

Strengths

• **Established track record of operations and experienced management**

JDIPL is promoted by Mr. Darpil Shah and Mr. Devang Shah. The promoters have experience of more than two decades in the diamond industry. The company has been able to maintain long term relationship with its customers since its inception.

Acuité believes that JDIPL will continue to benefit from its experienced management.

Weaknesses

• **Decline in performance of operations and profitability margins in FY2020**

Revenue from operations of the company has declined in FY2020 (provisional) and stood at Rs.30.66 crore compared to Rs.38.32 crore in FY2019. The decline was majorly on account of lack of demand from Hong Kong market due to various riots arose in the country during FY2020. Subsequently, the EBITDA margin of the company also declined to 4.74 percent in FY2020 (provisional) compared to 6.10 percent in FY2019 on account of high raw material and employee costs.

Acuité believes that the ability of the company to increase the scale of operations would be the key rating sensitivity factor over the medium term.

• **Moderate financial risk profile**

The financial risk profile of the company is moderate, marked by moderate net worth, gearing level and debt protection metrics. The net worth of the company stood at Rs.5.35 crore as on 31 March 2020 (provisional) compared to Rs.5.27 crore as on 31 March, FY2019. The director of the company, Mr. Darpil N. Shah, has invested in the form preference share worth Rs.1.50 crore, which has been treated as quasi-equity. The total debt of Rs.7.92 crore outstanding as on 31 March, 2020 (provisional) consists of long term secured loans of Rs.0.30 crore, unsecured loans from directors of Rs.0.10 crore and working capital borrowings from the bank of Rs.7.50 crore. The gearing level of the company deteriorated marginally to 1.48 times as on 31 March, 2020 (provisional) as compared to 1.42 times as on 31 March, 2019. Interest Coverage Ratio deteriorated to 1.21 times in FY2020 (provisional) as against 5.11 times in FY2019. Subsequently, the net cash accruals have decreased to Rs.0.23 crore in FY2020 (provisional) as compared

to Rs.1.40 crore in FY2019 on account of a decrease in operating profit.

Acuité believes that the financial risk profile of JDIP will continue to remain moderate over the medium term on account of moderate growth in revenues and profitability.

• **Working capital intensive operations**

The operations of the company are working capital intensive reflected by Gross Current Asset (GCA) days of 308 days in FY2020 (provisional) compared to 188 days in FY2019. This is majorly on account of high receivable days of 293 days as on March 31, 2020 (provisional) compared to 164 days as on March 31, 2019 respectively. NJPL's inventory levels remained low at 13 days as on March 31, 2020 (provisional) vis-à-vis 16 days as on March 31, 2019. Subsequently, there was an increase in payables period which stood at 173 days in FY2020 (provisional) as compared to 86 days in FY2019.

Acuité believes that, with the nature of the business, operations are expected to be working capital intensive over the medium term.

Liquidity position: Stretched

The company has stretched liquidity marked by fully utilised bank limits. Working capital requirement is funded through bank lines that have been 100 percent utilised over the last six months ended July, 2020. The stretched liquidity is also driven by high GCA days of 308 days in FY2020 (provisional) compared to 188 days in FY2019. The current ratio stood at 1.16 times as on 31 March, 2020 (provisional) compared to 1.22 times as on 31 March, 2019. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of full utilisation of bank loans along with the moderate scale of operations.

Rating Sensitivities

- Improvement in profitability and scale of operations backed by healthy demand in the diamond industry
- Any deterioration in the working capital management will have a negative bias on the rating

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	30.66	38.32
PAT	Rs. Cr.	0.09	1.26
PAT Margin	(%)	0.28	3.28
Total Debt/Tangible Net Worth	Times	1.48	1.42
PBDIT/Interest	Times	1.21	5.11

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Dec-2019	PC/PCFC*	Short Term	7.50	ACUITE A4 Issuer not co-operating
	Proposed Bank Facility	Short Term	7.50	ACUITE A4 Issuer not co-operating
26-Sep-2018	PC/PCFC*	Short Term	7.50	ACUITE A4 (Assigned)
	Proposed Bank Facility	Short Term	7.50	ACUITE A4 (Assigned)

*PC is interchangeable with FBP/FBD

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
PC/PCFC*	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4 (Withdrawn)

*PC is interchangeable with FBP/FBD

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Nitul Dutta Analyst - Rating Operations Tel: 022-49294053 nitul.dutta@acuite.in	

About Acuité Ratings & Research:

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