



Press Release
SHEETAL MANUFACTURING COMPANY PRIVATE LIMITED
April 11, 2025
Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	533.00	ACUITE A Stable Downgraded	-
Bank Loan Ratings	337.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	870.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE A**' (read as **ACUITE A**) from '**ACUITE A+**' (read as **ACUITE A plus**) on the Rs. 533.00 Cr. bank facilities and reaffirmed its short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs. 337.00 Cr. bank facilities of Sheetal Manufacturing Company Private Limited (SMCPL). The outlook is '**Stable**'.

Rationale for downgrade

The rating downgrade considers continuous decline in the group's operating performance marked by decline in revenues by ~19% in FY2024, as compared to FY2023 and a further decline of ~23% in 9MFY2025 as compared to 9MFY2024 levels. This decline is attributed to industry challenges in the cut and polished diamond sector, including demand-side pressures, global economic uncertainties, and geopolitical tensions, which have collectively impacted the sector's growth and stability. However, the rating continues to draw comfort from the extensive experience of the group's promoters and its established market position in the cut and polished diamond industry. Further, it derives strength from the group's healthy financial risk profile marked by improved gearing level, healthy networth and debt coverage indicators.

Going forward, the group's ability to improve its operating performance while maintaining its capital structure and working capital cycle will remain a key rating monitorable.

About the Company

Sheetal Manufacturing Company Private Limited (SMCPL) is a part of the Mumbai-based larger Sheetal Group (SG, including SMCPL and its subsidiaries) which was established in 1985 by the first-generation entrepreneurs, Mr. Govind Kakadia and his two brothers - Mr. Vallabh Kakadia and Mr. Ravji Kakadia. The company is engaged in the manufacturing and trading of diamonds & diamond jewellery. It is a designated four-star export house status by the Government of India. The Current Directors of the company are Mr. Vallabhbhai Laljibhai Kakadia, Mr. Govindbhai Laljibhai Kakadia, Mr. Hirabhai Kanjibhai Kakadia, Mr. Chirag Ravjibhai Kakadia, Mr. Ravjibhai Laljibhai Kakadia, Mr. Bharat Vallabhbhai Kakadia and Mr. Ajay Govindbhai Kakadia.

About the Group

Sheetal Group (SG) was established in 1985 and is engaged in the manufacturing and trading of diamonds & diamond jewellery. The group is managed by the Kakadia family and are supported by seasoned professionals.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profile of Sheetal Manufacturing Company Private Limited (SMCPL) and its subsidiaries and step-down subsidiaries, on account of significant business and financial alignment between the entities. Apart from SMCPL, the companies taken into consolidation are Sheetal Middle East DMCC, Sheetal Golden Works (India) LLP (SGW), Sheetal (Far East) Limited (SFE), Sheetal Europe B.V.B. A, Sheetal Group USA Inc., Hillier Diamond (Shanghai) Co. Limited, Sheetal Cutting Works Proprietary Limited, Hillier Diamond (Shenzhen) Co. Ltd. and Sheetal Jewels USA Inc.

Key Rating Drivers

Strengths

Extensive experience of promoters and long track record of operations

SG, engaged mainly into manufacturing & exports of cut & polished diamonds, has a global presence and is among one of the leading diamond players in India. They have a diversified customer base based in USA, Europe, Hong Kong, Middle East, etc. among other countries. It is also designated as four-star export house by the Government of India. This has been facilitated by the extensive experience of promoter of the group, Mr. Govind Kakadia, who has an experience of more than 5 decades into this business segment. The promoter is well supported by the second generation in the family – Mr. Ajay Kakadia, Mr. Bharat Kakadia and Mr. Chirag Kakadia.

Acuité believes that the group will continue to benefit from its established presence in the diamond industry, and the extensive promoter's experience.

Established distribution network and presence in major global markets

In the international market, SG has a strong distribution and procurement network through its step-down subsidiaries in key consuming markets viz. Hong Kong, USA, Belgium, Middle East, and Shanghai. Further, the Group has launched an online application in February 2015, which marked its entry into the e-commerce trading space. This mobile-based application helps in assisting customers and clients to place their orders as per their requirement from the ready inventory of stock available online, after inspecting the product based on different grading scales, certificates in the industry and price bands, without having to travel to the Group's office.

Healthy Financial risk profile

The group's financial risk profile is healthy, marked by improving net worth, below unity gearing (debt-equity) and healthy debt protection metrics. The tangible net worth of the group increased to Rs. 1775.86 Cr. as on March 31, 2024, from Rs. 1561.95 Cr. as on March 31, 2023, due to accretion of profits to reserves. The total debt of the group stood at Rs. 634.54 Cr. as on March 31, 2024, as against Rs. 813.06 Cr. as on March 31, 2023. The gearing (debt-equity) ratio stood below unity, and it improved to 0.36 times as on 31 March 2024 as compared to 0.52 times as on 31 March 2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.42 times as on 31 March 2024 as against 0.68 times as on 31 March 2023. The Interest Coverage Ratio (ICR) moderated yet stood healthy at 4.99 times in FY2024 as against 7.91 times in FY2023 on account of lower absolute EBITDA and higher interest cost during the year.

Going forward, Acuité believes that the financial risk profile of the group is expected to remain healthy with regular accretions of profits to reserves and in the absence of no major debt funded capital expenditure plans.

Weaknesses

Deterioration in operating performance

In FY2024, the group's revenue declined by ~19% to Rs. 4,473.35 Cr. in FY2024 from Rs. 5,509.96 Cr. in FY2023. Further, in 9MFY2025, the group reported revenue of Rs.2,542.83 Cr. as compared to Rs.3,288.11 Cr. in 9MFY2024 marking a decline of ~23%. The operating profit margin improved to 7.16% in FY2024 from 6.72% in FY2023, however, it declined to ~3.94% in 9MFY25 as compared to ~6.91% in 9MFY24. The deterioration is primarily on account of industry headwinds and lower sales volumes.

Acuité believes SG's ability to improve its overall operating performance will remain a key monitorable.

Intensive nature of working capital operations

The working capital management of the group is intensive in nature marked by Gross Current Assets (GCA) of 184 days in FY2024 as compared to 156 days in FY2023. The inventory holding period extended to 133 days in FY2024 as compared to 94 days in FY2023. The debtor days increased to 51 days in FY2024 as against 45 days in FY2023. Further, the creditor days stood at 8 days in FY2024 as compared to 16 days in FY2023. However, the average utilization of the bank limits is low at ~38 percent for the last twelve months ending March 2025.

Acuité believes that the working capital operations of the group will remain at similar levels given the nature of the industry over the medium term.

Headwinds in the Cut and Polished Diamond Industry

India's diamond sector has experienced significant challenges over the past three years due to a decline in global demand and supply chain disruptions. Exports fell sharply from \$25.48 billion in 2021–22 to \$18.37 billion in 2023–24, while imports decreased from \$28.86 billion to \$23 billion during the same period. This downturn is

driven by reduced demand for polished diamonds in key markets such as the US, China, and Europe, influenced by economic uncertainty, inflation, and geopolitical tensions. The Russia-Ukraine conflict and resulting sanctions on Russia, a major rough diamond producer, have further disrupted the global diamond supply chain, exacerbating trade challenges. The sector's declining performance is marked by a 25.23% drop in exports from 2022–23 to 2023–24, with an additional reduction of 22.49% from 2023–24 to 2024–25.

Overall, the global economic uncertainties, and geopolitical tensions have created significant challenges for India's diamond industry, affecting its growth and stability.

ESG Factors Relevant for Rating

The gems and jewellery industry and particularly the cut and polished diamond segment plays an important role in generating employment, particularly in India. While employment is material from the social perspective, the sector needs to ensure a healthy and safe working environment for its employees. On the governance aspect, ethical business practices and adherence to appropriate accounting norms including arms-length accounting with overseas group entities are important for the sustainability of the business and enjoying the confidence of the stakeholders including the lenders. Although the environmental factors are not highly material, the industry has to be vigilant that the mining of the raw materials do not damage the environment in a significant manner. SMCPL has taken some initiatives to make its business sustainable and compatible with the generally accepted ESG norms. The company's business operations abide by a code of practices outlined by the Responsible Jewellery Council (RJC). These practices address issues such as human rights, labour rights, environmental impact, mining operations and product disclosure. On the social front, the company participates in various CSR activities, such as investing in education and healthcare. It also provides support to individuals in rural areas to help them adopt environmentally sustainable livelihoods and practices.

Rating Sensitivities

- Ability to continuously improve operating income along with profitability margins.
- Any further elongations in the working capital operations.
- Any deterioration in the financial risk profile.

Liquidity Position

Adequate

The group's liquidity position is adequate marked by generation of healthy net cash accruals of Rs. 213.90 Cr. in FY2024 against no maturing debt obligation during the same period. Although a moderation in cash accruals is anticipated, it is expected to remain healthy over the medium term, against nil maturing repayment obligations. The cash and bank balances of the group stood at Rs. 25.46 Cr. as on March 31, 2024. The current ratio stood at 3.15 times as on March 31, 2024, as compared to 2.26 times as on March 31, 2023. The working capital management of the group is intensive in nature marked by Gross Current Assets (GCA) of 184 days as on 31st March 2024, however, the reliance on working capital limits remained low with average utilisation of fund-based limits at ~38% over the past twelve months ending March 2025.

Going ahead, liquidity position of the group is expected to remain adequate supported by steady, albeit moderated, accruals and buffer available from unutilised working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	4473.35	5509.96
PAT	Rs. Cr.	191.86	257.10
PAT Margin	(%)	4.29	4.67
Total Debt/Tangible Net Worth	Times	0.36	0.52
PBDIT/Interest	Times	4.99	7.91

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
12 Jan 2024	Post Shipment Credit	Long Term	22.88	ACUITE A+ Stable (Reaffirmed)
	PC/PCFC	Long Term	60.00	ACUITE A+ Stable (Reaffirmed)
	Post Shipment Credit	Long Term	24.00	ACUITE A+ Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	97.00	ACUITE A+ Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	68.00	ACUITE A+ Stable (Reaffirmed)
	PC/PCFC	Long Term	221.00	ACUITE A+ Stable (Reaffirmed)
	Post Shipment Credit	Long Term	119.00	ACUITE A+ Stable (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	60.00	ACUITE A+ Stable (Reaffirmed)
	PC/PCFC	Long Term	44.12	ACUITE A+ Stable (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	54.00	ACUITE A1 (Reaffirmed)
	PC/PCFC	Short Term	70.00	ACUITE A1 (Reaffirmed)
	Post Shipment Credit	Short Term	30.00	ACUITE A1 (Reaffirmed)
14 Oct 2022	Post Shipment Credit	Long Term	24.00	ACUITE A+ Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	97.00	ACUITE A+ Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	62.00	ACUITE A+ Stable (Reaffirmed)
	PC/PCFC	Long Term	132.00	ACUITE A+ Stable (Reaffirmed)
	PC/PCFC	Long Term	89.00	ACUITE A+ Stable (Assigned)
	Post Shipment Credit	Long Term	119.00	ACUITE A+ Stable (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	60.00	ACUITE A+ Stable (Reaffirmed)
	PC/PCFC	Long Term	44.12	ACUITE A+ Stable (Reaffirmed)
	Post Shipment Credit	Long Term	22.88	ACUITE A+ Stable (Reaffirmed)
	PC/PCFC	Long Term	60.00	ACUITE A+ Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	6.00	ACUITE A+ Stable (Assigned)
	Post Shipment Credit	Short Term	65.00	ACUITE A1 (Reaffirmed)
	Post Shipment Credit	Short Term	35.00	ACUITE A1 (Assigned)
	Proposed Short Term Bank Facility	Short Term	28.00	ACUITE A1 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	26.00	ACUITE A1 (Assigned)
06 Jan 2022	PC/PCFC	Long Term	60.00	ACUITE A+ Stable (Reaffirmed)
	Post Shipment Credit	Long Term	22.88	ACUITE A+ Stable (Reaffirmed)
	PC/PCFC	Long Term	44.12	ACUITE A+ Stable (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	60.00	ACUITE A+ Stable (Reaffirmed)
	Post Shipment Credit	Long Term	133.00	ACUITE A+ Stable (Reaffirmed)
	PC/PCFC	Long Term	132.00	ACUITE A+ Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	62.00	ACUITE A+ Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	97.00	ACUITE A+ Stable (Reaffirmed)
	Post Shipment Credit	Long Term	24.00	ACUITE A+ Stable (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	14.00	ACUITE A1 (Reaffirmed)
	Post Shipment Credit	Short Term	65.00	ACUITE A1 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	FBN/FBP/FBD/PSFC/FBE	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	60.00	Simple	ACUITE A Stable Downgraded (from ACUITE A+)
Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	44.12	Simple	ACUITE A Stable Downgraded (from ACUITE A+)
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	60.00	Simple	ACUITE A Stable Downgraded (from ACUITE A+)
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	147.00	Simple	ACUITE A Stable Downgraded (from ACUITE A+)
Yes Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	70.00	Simple	ACUITE A1 Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A1 Reaffirmed
State Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	78.00	Simple	ACUITE A Stable Downgraded (from ACUITE A+)
IDBI Bank Ltd.	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	24.00	Simple	ACUITE A Stable Downgraded (from ACUITE A+)
Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	22.88	Simple	ACUITE A Stable Downgraded (from ACUITE A+)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	237.00	Simple	ACUITE A1 Reaffirmed
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	97.00	Simple	ACUITE A Stable Downgraded (from ACUITE A+)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	Sheetal Manufacturing Company Private Limited
2	Sheetal Middle East DMCC
3	Sheetal Golden Works (India) LLP (SGW)
4	Sheetal (Far East) Limited (SFE)
5	Sheetal Europe B.V.B.A

6	Sheetal Group USA Inc.
7	Hillier Diamond (Shanghai) Co. Limited
8	Sheetal Cutting Works Proprietary Limited
9	Hillier Diamond (Shenzhen) Co. Ltd.
10	Sheetal Jewels USA Inc.

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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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