

## Press Release

Shree Ramkrishna Exports Private Limited

September 14, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	114.43	-	ACUITE A1+   Reaffirmed
Bank Loan Ratings	1550.00	ACUITE AA-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1664.43	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) and the short term rating of '**ACUITE A1+**' (read as **ACUITE A one plus**) on the Rs. 1664.43 Cr. bank facilities of Shree Ramkrishna Exports Private Limited (SRPL). The outlook is '**Stable**'.

### Reason for Rating reaffirmation

The rating reaffirmation is on account of stable operating performance of SRPL during the year marked by improved operating income, stable profitability margins and healthy financial risk profile. The Company's operating income improved to Rs.13461.00 Cr in FY2022 as against Rs.9533.88 Cr in FY2021. The operating profitability ranged between 6-7 percent in the last two years ended FY2022. The credit metrics continues to remain strong marked by low gearing and healthy debt protection metrics. The reaffirmation in the rating continues to factor in SRPL's established track record of operations of over four decades, diversified clientele and established market position, backed by extensive experience of the promoters in Cut & Polished Diamonds (CPD) industry. However, regulatory risks, susceptibility of the profitability to volatility in the prices of rough diamonds, foreign exchange fluctuations risk and intense competition marked by fragmented nature of cut and polished diamond (CPD) industry remain the key challenges to SRPL's credit profile.

### About the Company

Shree Ramkrishna Exports Private Limited (SRPL), a Mumbai based private limited company was incorporated in 2012 by Mr. Govindbhai Dholakia and his family members. Mr. Dholakia has been associated with the diamond trade since 1964. Initially the business was carried out as a proprietorship concern (Shree Ramkrishna Exports); later in 1976, it was converted into a partnership firm. The company is engaged in processing and trading of Cut & Polished Diamonds (CPD). SRPL has two manufacturing facilities located at Surat, Gujarat and register office at Bharat Diamond Bourse (BDB) - BKC, Mumbai.

The company sells in domestic as well as overseas markets which includes USA, Israel, Europe and Hong Kong. Total exports contribute to 87.45 percent of the revenues in FY2022 and 84 percent of the revenues in FY2021. SRPL has been focusing on the online sales through their

own B2B, IT platform as a part of its distribution and marketing strategy which contributes ~95 percent of total sales in FY2022, as per management. The company is also a sight holder of De Beers, Rio Tinto Diamonds and Alrosa Co. Besides direct procurement from its sights, SRPL also procures roughs from other companies like Dominion Diamond, and other market players.

### **About other group entities**

SRPL has other 6 associate/group entities; Ramkrishna Goldi Pvt. Ltd. (Mumbai), Shree Ramkrishna Gems Pvt. Ltd. (Mumbai), The Jewellery Co. (Mumbai), Jewel Goldi (Mumbai), Sahajanand Diamonds (Mumbai) and Shree Ram Diamex Pvt. Ltd. (Surat). These entities are mostly into export-import of diamonds or manufacturing of diamond jewellery.

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of SRPL to arrive at this rating. The group/associate enterprises haven't been consolidated since latter's scale of operations are insignificant and there are no material operational or financial linkages between them and SRPL.

### **Key Rating Drivers**

#### **Strengths**

#### **> Experienced management, improved operating performance and established market position in the gems and jewellery industry**

The promoters of SRPL started their business since 1964. The company is engaged in manufacturing and trading of cut & polished diamonds (CPD) with carat range from 0.30 to 5.00 in any of the cut, clarity and color ranges. The company is promoted by Mr. Govindbhai Dholakia and family. The promoter is well supported by second generation – Mr. Rahulbhai Dholakia, Mr. Shreyans Dholakia and Mr. Jayantibhai Narola. The company's promoters have been in the diamond industry for more than five decades and have established position in the industry. SRPL 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, and Hong Kong among other countries.

SRPL is a sight holder with leading miners such as De Beers, Rio Tinto & Alrosa which ensures steady supply of rough diamonds. Apart from the sights, the company also procures roughs from the market and through auction. Besides efficient procurement mechanism, the company has also focused on effective marketing and distribution by leveraging its online sales channel. SRPL's online portal has highly enhanced and sophisticated features to provide extremely granular product related information to the prospective clients. Hence, the company is able to generate large proportion of its revenues through online sales channel. The online channel has conventionally been used to serve the B2C segment (business to customer). SRPL has successfully replicated this channel to cater to the B2B segment (business to business). This has helped the company increase its efficiency as it is able to serve more customers. Hence, as per management estimates, ~95 per cent of its sales is carried out through online portal in FY2022.

The overall revenues stood improved by 41.19 percent Y-o-Y at ~Rs.13,461.00 Cr in FY2022 as compared to ~Rs.9,533.88 Cr. in FY2021. The company has achieved revenue of Rs.3,275.47 Cr. for Q1FY2023. The export revenues increased to ~Rs. 11,767.26 Cr. in FY2022 from ~Rs. 8008.93 Cr. in FY2021 on back of strong demand in key markets. The local sales (including DDA sales) stood improved to ~Rs.1688.22 Cr. in FY2022 from ~Rs. 1,524.48 Cr. in FY2021. In terms of size, ~60.00 per cent of the diamonds sold during FY2022 were in the bracket of 1 carat and above. In terms of diversification of customer base, top 30 clients accounted for ~39.35 per cent of the total revenues in FY2022 (PY: 40.81 per cent).

Further, the operating margins also stood improved at 6.95 percent in FY2022 as against 6.05 percent in FY2021. Also, PAT margins stood improved at 4.92 percent in FY2022 as against 4.00 percent in FY2021. The net profitability margins have improved primarily on account of reduced interest costs. The interest costs moderated on account of reduced benchmark rates during the period as well as spreads. Acuité believes that the company will continue to

benefit from its established presence in the diamond industry, and the extensive promoter's experience demonstrated by ability to manage and scale up the business operations across various cycles.

#### > **Healthy financial risk profile**

The financial risk profile continues to remain healthy marked by healthy net worth, strong capital structure marked by low gearing and healthy debt protection measures. The Tangible net worth stood at Rs.2595.45 Cr as on March 31, 2022 as against Rs. 1,932.94 Cr. as on March 31, 2021. The improvement in net worth is attributable to healthy accretion to reserves over the period. The gearing stood low at 0.51 times as on March 31, 2022 as against 0.42 times on March 31, 2021. The total borrowings stood at Rs. 1316.14 Cr as on March 31, 2022 as against Rs. 807.02 Cr. as on March 31, 2021. The increase in debt is on account of higher utilisation of working capital limits during the year end. The debt comprises of short term borrowings of Rs. 1309.14 Cr. and unsecured loan of Rs. 7.00 Cr. The total outside liabilities to tangible net worth stood at 0.95 times as on March 31, 2022 as against 0.78 times on March 31, 2021. The net cash accruals stood higher at Rs.688.72 Cr for FY2022 as against Rs. 405.06 Cr. FY2021, as against no long term debt repayment obligation. The interest coverage ratio (ICR) stood significantly improved at 32.05 times in FY2022 as against 12.49 times in FY2021. The Debt to EBITDA stood at 1.39 times for FY2022 as against 1.37 times for FY2021. Acuite believes that the financial risk profile of the company is expected to remain healthy with regular accretions of profits to reserves and in the absence of no major debt funded capital expenditure plan.

#### > **Efficient working capital management**

SRPL's working capital management is efficient, marked by moderate GCA days and moderate bank limit utilisation. The GCA days stood at 123 days as on March 31, 2022 as against 114 days as on March 31, 2021. The GCA days are primarily driven by inventory days, which stood at 108 days as on March 31, 2022 as against 71 days as on March 31, 2021. The debtor days ranged between 17-33 days in the last three years ended March 31, 2022 while the creditor days ranged between 30-42 days for the same period. The average bank limit utilisation for the twelve months ended August, 2022 stood at ~67 percent. Acuite believes SRPL will continue to benefit from its efficient management of working capital.

### **Weaknesses**

#### > **Susceptibility of operating performance to cyclicity in gems and jewellery sector, concentration risk and discretionary spending in key markets to drive future growth**

As per GJEPC, in FY2022, exports of gems & jewellery stood at USD 39.53 billion in FY2022 as against USD 25.51 billion in FY2021. India exported cut and polished diamonds worth USD 24.43 billion in FY2022 as against USD 17.15 billion in FY2021, thereby contributing 61.80 percent in FY2022 as against 67.22 percent in FY2021 to the total gems and jewellery export. SRPL, export sales contribute to 84 to 88 percent to overseas clients directly or through its marketing affiliates. Demand for CPD is directly linked to discretionary spending by the clients and spending pattern changes as a result of economic slowdown. The foreign exchange risk is involved which may result in higher interest cost and fluctuation in raw material prices i.e. diamonds will have direct impact on margins, profitability observed from previous years' performance of SRPL.

Besides the demand related issues, the gems and jewellery sector has witnessed large delinquencies in the recent past which has impacted the approach of the lenders to this sector. Such credit events are expected to have an adverse impact on the future credit flow to the sector and the cost of credit. The challenges in accessing credit from the banking system further adds to the stress as the players have to scale down their operations due to inadequacy of working capital limits. Other than credit related issues, the CPD segment also has to face challenges arising from emergence of new substitutes like lab-grown diamonds and regulatory risk.

Furthermore, SRPL faces concentration risk as two major intermediate/marketing affiliates which contributes to 20 - 25 percent of total sales and purchases of company for key markets like Hong Kong and Israel. Also, three key markets ~ USA, Hong Kong and Israel contributes to more than 60 percent of revenues in last three year ending FY2022. Any impact on the relationships with these players and any change in demand or disruption in this key markets

will have direct impact on operating performance of SRPL. Acuité believes that established players like SRPL will be able to maintain a resilient credit profile on the back of their healthy financial risk profile and demonstrated ability to manage their business risk profile during uncertain market conditions.

### **ESG Factors Relevant for Rating**

In case of Gems and Jewelry industry, on the social front, labor management issues, such as employee safety & development and employment quality, remain a crucial risk in manufacturing industry. Additionally, key material issues such as responsible procurement, community support & development, product safety & quality, human rights, equal opportunity & employee development can influence social scores. Further on the environment front, GHG emissions, material efficiency, waste management, environmental management, energy efficiency and green supply chain are significant environmental issues in the manufacturing industry. Additionally, key material issues such as ESG reporting transparency, biodiversity impact and green products can influence environmental scores.

SRPL has taken up various initiatives for social and environmental causes. The Group vide its Shree Ramkrishna Knowledge Foundation (SRKF) has taken up various social and environmental initiatives. It has launched various programs like the school empowerment program, research scholarship program, skill development initiatives to educate and empower the youth. The Group also vide its CSR arm runs quarterly medical camps in various rural areas of Gujarat. It has also set up consulting units in rural areas to give free consulting to farmers on government policies that can benefit them. It has aided in construction of canals and dams in rural Gujarat and set up clubs in order to protect ecological resources.

### **Rating Sensitivities**

- > Sustained improvement in operating performance and efficient management of its working capital requirement.
- > Significant Improvement in capital structure and debt protection indicators
- > Slowdown in industry leading to inventory pile up and elongation of receivables

### **Material covenants**

None

### **Liquidity Position: Strong**

The company maintains strong liquidity position marked by healthy net cash accruals of Rs. 220.19 Cr. to Rs. 688.72 Cr. for last three years ending FY2022, against no major long term debt repayment over the same period. The current ratio of the company stood at 1.90 times as on March 31, 2022 as against 2.10 times as on March 31, 2021. NCA/TD stood at 0.52 times as on March 31, 2022 as against 0.50 times in the previous year. The company has unencumbered cash and bank balances of Rs. 53.70 Cr. as on March 31, 2022. SRPL has moderate dependence on bank limits which stood utilised at ~67.00 percent on average for last twelve months ending August 2022. The company does not have any major capex commitments over the medium term. The funding sources are well diversified across multiple banks. Acuité expects the liquidity profile to remain strong and healthy over near to medium term.

### **Outlook: Stable**

Acuité believes that SRPL will maintain a 'Stable' credit profile over near to medium term on back of its established position in Cut & Polished Diamonds (CPD) industry and healthy financial risk profile. The outlook may be revised to 'Positive' if the company reports significantly higher than expected operating performance while efficiently managing its working capital cycle and sustaining its healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in operating performance, debt funded capex as well as elongation in the working capital cycle leading to deterioration in the overall financial risk profile and capital structure of SRPL.

### **Other Factors affecting Rating**

None



## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	13461.00	9533.88
PAT	Rs. Cr.	662.20	381.67
PAT Margin	(%)	4.92	4.00
Total Debt/Tangible Net Worth	Times	0.51	0.42
PBDIT/Interest	Times	32.05	12.49

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

Not Applicable

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jul 2021	Proposed Bank Facility	Long Term	38.48	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	330.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Proposed Bank Facility	Short Term	114.43	ACUITE A1+ (Upgraded from ACUITE A1)
	Packing Credit	Long Term	52.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	365.75	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	54.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	25.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	60.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	50.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Post Shipment Credit	Long Term	283.77	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	90.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	56.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Post Shipment Credit	Long Term	45.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	50.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	50.00	ACUITE AA-   Stable (Upgraded from ACUITE A+   Stable)
	Packing Credit	Long Term	54.00	ACUITE A+   Stable (Reaffirmed)

12 Feb 2021	Packing Credit	Long Term	25.00	ACUITE A+   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	45.00	ACUITE A+   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	114.43	ACUITE A1 (Reaffirmed)
	Packing Credit	Long Term	50.00	ACUITE A+   Stable (Reaffirmed)
	Packing Credit	Long Term	365.75	ACUITE A+   Stable (Reaffirmed)
	Packing Credit	Long Term	330.00	ACUITE A+   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	38.48	ACUITE A+   Stable (Reaffirmed)
	Packing Credit	Long Term	56.00	ACUITE A+   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	283.77	ACUITE A+   Stable (Reaffirmed)
	Packing Credit	Long Term	90.00	ACUITE A+   Stable (Reaffirmed)
		Long		
04 Dec 2019	Packing Credit	Term	52.00	ACUITE A+   Stable (Reaffirmed)
	Packing Credit	Long Term	50.00	ACUITE A+   Stable (Reaffirmed)
	Packing Credit	Long Term	60.00	ACUITE A+   Stable (Reaffirmed)
	Packing Credit	Long Term	50.00	ACUITE A+   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	114.43	ACUITE A1 (Assigned)
	Packing Credit	Long Term	50.00	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	90.00	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	368.48	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	60.00	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	54.00	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	50.00	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	283.77	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	50.00	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	56.00	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	365.75	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	52.00	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	45.00	ACUITE A+   Stable (Assigned)
	Packing Credit	Long Term	25.00	ACUITE A+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	291.00	ACUITE AA-   Stable   Reaffirmed
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	390.00	ACUITE AA-   Stable   Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	74.20	ACUITE AA-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	47.50	ACUITE AA-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	56.80	ACUITE AA-   Stable   Reaffirmed
Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	124.75	ACUITE AA-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	42.50	ACUITE AA-   Stable   Reaffirmed
IDBI Bank Ltd.	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE AA-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE AA-   Stable   Reaffirmed
Saraswat Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE AA-   Stable   Reaffirmed
Indusind Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	268.25	ACUITE AA-   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE AA-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	114.43	ACUITE A1+   Reaffirmed

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### About Acuité Ratings & Research

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