



Press Release
SHREE RAMKRISHNA EXPORTS PRIVATE LIMITED
December 13, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1605.00	ACUITE AA- Stable Reaffirmed	-
Bank Loan Ratings	59.43	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	1664.43	-	-

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 (SREPL). The outlook is '**Stable**'.

Reason for Rating reaffirmation

The rating reaffirmation takes into account healthy financial risk profile, efficient working capital management and strong liquidity position of SREPL. Though SREPL has recorded a decline in operating performance in FY2023 and the downward trend is estimated to continue in FY2024, the strong liquidity position and healthy financial position of the company offsets the impact. The overall revenues declined by ~15 percent Y-o-Y at ~Rs.11410.81 Cr in FY2023 as compared to ~Rs.13,461.00 Cr in FY2022. The company has achieved revenue of Rs.4296.63 Cr. for H1FY2024 and is estimated to close the year in the range Rs.8500-9200 Cr. The decline is primarily attributable to slack in demand across the industry. As per GJEPC reports, the Cut and Polished Industry recorded a decline of 9.78% YOY between FY2023 and FY2022 in its total exports and a decline of 29.37% in 7MFY2024 as against same period last year. In line with the industry performance, SREPL performance also deteriorated in H1FY2024. The value of SREPL's CPD sales segment stood at Rs. 4089 Cr in H1FY2024 as against Rs. 5795 Cr in H1FY2023.

The operating margins of SREPL stood at 7.40 percent in FY2023 as against 6.97 percent. The same declined by 51 bps in H1FY2024 vis-à-vis FY2023. Despite the subdued operating performance, the financial risk profile of the company is estimated to remain healthy marked by healthy net-worth, low gearing and comfortable debt protection metrics. The company does not plan to undertake any major debt funded capex plan over the medium term. The overall gearing of the company improved to 0.37 times in FY2023 as against 0.51 times in FY2022 and is estimated to range between 0.20-0.25 times over the near to medium term. The interest coverage ratio which stood at 12.55 times in FY2023 is estimated to range between 12-16 times during the period FY2024-FY2025. Further, SREPL's working capital cycle, though intensive is not significantly dependent on bank facilities. The average bank limit utilisation for twelve months ended September, 2023 is ~36.46 percent, while the utilisation stood nil in November, 2023. Driven by the strong financial metrics, the subdued operating performance is estimated to have limited impact on the financial risk profile and liquidity position of the company. The rating also derives strength from the experience of the management and the long track record of operations of SREPL. Going forward, the company's ability improve its operating performance while maintaining its capital structure and working capital cycle will remain a key rating monitorable.

About the Company

Shree Ramkrishna Exports Private Limited (SREPL), 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). SREPL 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 84 percent of the revenues in FY2023 and FY2022. SREPL 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 FY2023, 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, SREPL also procures roughs from other companies like Dominion Diamond, and other market players.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

> Experienced management and established market position in the gems and jewellery industry

The promoters of SREPL 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. SREPL 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.

SREPL 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. SREPL'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). SREPL 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 FY2023.

The overall revenues declined by ~15 percent Y-o-Y at ~Rs.11410.81 Cr in FY2023 as compared to ~Rs.13,461.00 Cr in FY2022. The company has achieved revenue of Rs.4296.63 Cr. for H1FY2024 and is estimated to close the year in the range Rs.8500-9200 Cr. The decline is primarily attributable to slack in demand across the industry. As per GJEPC reports, the Cut and Polished Industry recorded a decline of 9.78% YOY between FY2023 and FY2022 in its total exports and a decline of 29.37% in 7MFY2024 as against same period last year. In line with the industry performance, SREPL performance also deteriorated in H1FY2024. The value of SREPL's CPD sales segment stood at Rs. 4089 Cr in H1FY2024 as against Rs. 5795 Cr in H1FY2023. The operating margins of SREPL stood at 7.40 percent in FY2023 as against 6.97 percent. The same

declined by 51 bps in H1FY2024 vis-à-vis FY2023. Despite the subdued operating performance, 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.3021.94 Cr as on March 31, 2023 as against Rs. 2595.45 Cr as on March 31, 2022. The change in net worth is attributable to accretion of profits to reserves and redemption of preference share capital. In FY2023, the company redeemed 6,50,00,000 6% non-cumulative optionally convertible preference shares having face value of Rs. 10 per share at Rs.11 premium and will redeem balance 6,50,00,000 shares in FY2024.

The gearing stood low at 0.37 times as on March 31, 2023 as against 0.51 times on March 31, 2022. The total borrowings stood at Rs. 1117.33 Cr as on March 31, 2023 as against Rs. 1316.14 Cr. as on March 31, 2022. The debt comprises of short term borrowings of Rs. 1089.95 Cr. and unsecured loan of Rs. 27.38 Cr. The total outside liabilities to tangible net worth stood at 0.55 times as on March 31, 2023 as against 0.95 times on March 31, 2022. The net cash accruals stood at Rs.588.74 Cr for FY2023 as against Rs. 688.72 Cr. FY2022, as against no long term debt repayment obligation. The interest coverage ratio (ICR) stood at 12.55 times in FY2023 as against 32.05 times in FY2022. The Debt to EBITDA stood at 1.30 times for FY2023 as against 1.39 times for FY2022. Acuité 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**

SREPL's working capital management is efficient, marked by moderate GCA days and moderate bank limit utilisation. The GCA days stood at 134 days as on March 31, 2023 as against 123 days as on March 31, 2022. The GCA days are primarily driven by inventory days, which stood at 117 days as on March 31, 2023 as against 108 days as on March 31, 2022. The debtor days ranged between 17-33 days in the last three years ended March 31, 2023 while the creditor days ranged between 18-35 days for the same period. The average bank limit utilisation for the twelve months ended September, 2023 stood at ~36.46 percent. Acuite believes SREPL 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 reports, the Cut and Polished Industry recorded a decline of 9.78% YOY between FY2023 and FY2022 in its total exports and a decline of 29.37% in 7MFY2024 as against same period last year. In line with the industry performance, SREPL performance also deteriorated in H1FY2024 and FY2023. The overall revenues declined by ~15 percent Y-o-Y at ~Rs.11410.81 Cr in FY2023 as compared to ~Rs.13,461.00 Cr in FY2022 and the value of SREPL's CPD sales segment stood at Rs. 4089 Cr in H1FY2024 as against Rs. 5795 Cr in H1FY2023. 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 SREPL.

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, SREPL 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 FY2023. 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 SREPL. Acuité believes that established players like SREPL 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.

SREPL 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

- > Movement in operating income and profitability margins
- > Movement in working capital cycle

All Covenants

Not applicable

Liquidity Position Strong

The company maintains strong liquidity position marked by healthy net cash accruals of Rs.558.74 Cr and Rs. 688.72 Cr. for FY2023 and FY2022, against no major long term debt repayment over the same period. The current ratio of the company stood at 2.62 times as on March 31, 2023 as against 1.90 times as on March 31, 2022. NCA/TD stood at 0.53 times as on March 31, 2023 as against 0.52 times in the previous year. The company has unencumbered cash and bank balances of Rs. 151.04 Cr. as on March 31, 2023. SREPL has moderate dependence on bank limits which stood utilised at ~36.46 percent on average for last twelve months ending September 2023. 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 SREPL 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 SREPL.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	11410.81	13461.00
PAT	Rs. Cr.	562.79	662.20
PAT Margin	(%)	4.93	4.92
Total Debt/Tangible Net Worth	Times	0.37	0.51
PBDIT/Interest	Times	12.55	32.05

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
14 Sep 2022	Packing Credit	Long Term	390.00	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	50.00	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	56.80	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	42.50	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	100.00	ACUITE AA- Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	114.43	ACUITE A1+ (Reaffirmed)
	Packing Credit	Long Term	291.00	ACUITE AA- Stable (Reaffirmed)
	Packing Credit	Long Term	74.20	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	45.00	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	60.00	ACUITE AA- Stable (Reaffirmed)
	Packing Credit	Long Term	47.50	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	124.75	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	268.25	ACUITE AA- Stable (Reaffirmed)
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)
		Long		ACUITE AA- Stable (Upgraded from

	Packing Credit	Term	50.00	ACUITE A+ Stable)
	Packing Credit	Long Term	50.00	ACUITE AA- Stable (Upgraded from ACUITE A+ Stable)
12 Feb 2021	Packing Credit	Long Term	54.00	ACUITE A+ Stable (Reaffirmed)
	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)
	Packing Credit	Long 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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	291.00	ACUITE AA- Stable Reaffirmed
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	390.00	ACUITE AA- Stable Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	74.20	ACUITE AA- Stable Reaffirmed
Bank of Baroda	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	47.50	ACUITE AA- Stable Reaffirmed
Union Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	56.80	ACUITE AA- Stable Reaffirmed
Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	124.75	ACUITE AA- Stable Reaffirmed
Bank of Baroda	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	42.50	ACUITE AA- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE AA- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE AA- Stable Reaffirmed
Saraswat Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE AA- Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	268.25	ACUITE AA- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	59.43	ACUITE A1+ Reaffirmed

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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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