



Press Release
Shree Ramkrishna Exports Private Limited
January 09, 2025
Rating Downgraded and Reaffirmed

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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has downgraded its long term rating to ‘**ACUITE A+**’ (read as **ACUITE A plus**) from ‘**ACUITE AA-**’ (read as **ACUITE double A minus**) on the Rs.1550.00 Cr. bank facilities and reaffirmed its short term rating of ‘**ACUITE A1+**’ (read as **ACUITE A one plus**) on the Rs. 114.43 Cr. bank facilities of Shree Ramkrishna Exports Private Limited (SREPL). The outlook is ‘**Stable**’.

Reason for Rating Downgrade

The downgrade in the rating is on account of the continuous decline in SREPL’s operating performance marked by decline in revenues by ~ 29 per cent in FY2024 and ~ 15 per cent in FY2023, along with decline in operating profitability. The rating also factors in susceptibility of company’s profitability to cyclicalities in cut and polished diamond (CPD) industry. The rating continues to draw comfort from the extensive experience of SREPL’s promoters and its established market position in the cut and polished diamond industry. Further, it derives strength from the healthy financial risk profile marked by improved gearing level, comfortable debt coverage indicators in FY2024.

Going forward, the company'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

Shree Ramkrishna Exports Private Limited (SREPL), is a Mumbai based 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 and subsequently into Private Limited company in 2012. 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 (~ 85 per cent) which includes USA, Israel, Europe and Hong Kong. SREPL has been focusing on the online sales through their own B2B, IT platform as a part of its distribution and marketing strategy. The company is also a sight holder of De Beers and Rio Tinto Diamonds. Besides direct procurement from its sights, SREPL also procures roughs diamonds 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 Mr. Govindbhai Dholakia and his family are engaged in the business of cut & polished diamonds (CPD) for over five decades, thus commanding established position in the gems and jewellery industry. The promoters are well supported by second generation – Mr. Rahulbhai Dholakia, Mr. Shreyans Dholakia and Mr. Jayantibhai Narola. They have a diversified customer base in USA, Europe, and Hong Kong among other countries.

SREPL is a sight holder with leading miners such as De Beers and Rio Tinto 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.

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

Healthy financial risk profile

The financial risk profile of the company is healthy marked by healthy net worth, low gearing, and healthy debt protection metrics. The net worth of the company stood at Rs.3255.31 Cr. as on 31 March 2024 as against Rs.3021.94 Cr. as on 31 March 2023. The change in the net worth is on account of accretion of profits to reserves and redemption of preference share capital. The company redeemed 3,25,00,000 shares 6% non-cumulative optionally convertible preference shares having face value of Rs. 10 per share and redeemed balance 3,25,00,000 shares in FY2025. Additionally, the company has done the buyback of shares worth Rs.400 Cr. The same amount is invested in USL, from where the amount will be taken out of business using accruals in the next 2-3 years. The gearing level of the company stood low at 0.10 times as on 31 March 2024 as against 0.37 times as on 31 March 2023. The total debt of the company stood at Rs.332.93 Cr. as on March 31, 2024. The whole debt comprises of short-term debt. Interest Coverage Ratio (ICR) stood healthy at 14.24 times for FY2024 against 12.55 times for FY2023. The Debt/EBITDA levels stood at 0.70 times as of March 31, 2024, as against 1.30 times as of March 31, 2023.

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.

Weaknesses

Deterioration in Operating Performance

SREPL revenue has declined by ~29% to Rs.8,117.55 Cr. in FY2024 against Rs.11,410.81 Cr. in FY2023 and Rs.13,461.00 Cr. in FY2022. Further, the revenue for 8MFY2025 of SREPL stood at Rs.4,775.85 Cr. as compared to Rs.5,631.73 Cr. in 8MFY2024. The operating profit margin declined to 5.55 per cent in FY2024 compared against 7.40 per cent in FY2023. Further, the PAT margin of SREPL also declined to 3.77 percent in FY2024 compared to 4.93 percent in FY2023. The deterioration is primarily on account of industry headwinds, lower sales volume and price realizations during the year.

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

Moderate Working Capital Management

The company is having moderate working capital requirements along with low reliance on bank limit utilization. The Gross Current Asset (GCA) days increased to 153 days as on March 31, 2024, as against 132 days as on March 31, 2023. The marginal deterioration in the GCA days is on account of the increase in the inventory levels during the year. The inventory levels stood at 130 days in FY2024 when compared against 117 days in FY2023. The debtor days stood at 20 days in FY2024 as compared against 18 days in FY2023. The creditor days stood at 15 days in FY2024 as against 18 days in FY2023. The average utilization of the bank limits of the company stood low at ~16.40% for the last 06 months ending November 2024.

Acuite believes SREPL's ability to maintain its working capital requirements at moderate level will remain a key monitorable.

Susceptibility to cyclicalities in gems and jewellery sector and discretionary spending in key markets to drive future growth

As per a report from Business Standard, Exports of cut and polished diamonds fell by a higher margin of 34.6 per cent, from \$24.4 billion in FY 2022 to \$13.1 billion in FY 2024. Further, in 8MFY2025 the overall gross Exports of Cut & Polished diamonds at US \$8980.2 million (Rs. 75183.34 crores) is showing a decline of 18.88% as compared to US \$11070.49 million (Rs.91459.46 crores) for the same period of previous year. 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.

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.

Acuité believes that the ability of SREPL to maintain a resilient credit risk profile on the back of their healthy financial risk profile and ability to manage their business risk profile during uncertain market conditions will remain a key monitorable.

Rating Sensitivities

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

Liquidity Position

Strong

The liquidity position of SREPL is strong marked by healthy net cash accruals of Rs.335.63 Cr. in FY2024 against no maturing debt obligation during the same period. The company maintains unencumbered cash and bank balances of Rs.65.99 Cr. as on March 31, 2024. The current ratio stood at 5.17 times as on March 31, 2024. The company has a moderate dependence on working capital limits which stood low at 16.40% in the last 06 months ending November 2024. Further, the funding sources are well diversified across multiple banks.

Going ahead, the liquidity position of the company is expected to remain strong on account of a healthy generation of cash accruals, and no major capex commitments over the medium terms. Acuité expects the liquidity profile to remain strong and healthy over near to medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	8117.55	11410.81
PAT	Rs. Cr.	305.65	562.79
PAT Margin	(%)	3.77	4.93
Total Debt/Tangible Net Worth	Times	0.10	0.37
PBDIT/Interest	Times	14.24	12.55

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
13 Dec 2023	Proposed Short Term Bank Facility	Short Term	59.43	ACUITE A1+ (Reaffirmed)
	Post Shipment Credit	Long Term	200.00	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	50.00	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	60.00	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	268.25	ACUITE AA- Stable (Reaffirmed)
	PC/PCFC	Long Term	291.00	ACUITE AA- Stable (Reaffirmed)
	PC/PCFC	Long Term	390.00	ACUITE AA- Stable (Reaffirmed)
	PC/PCFC	Long Term	74.20	ACUITE AA- Stable (Reaffirmed)
	PC/PCFC	Long Term	47.50	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	56.80	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	124.75	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	42.50	ACUITE AA- Stable (Reaffirmed)
14 Sep 2022	Proposed Short Term Bank Facility	Short Term	114.43	ACUITE A1+ (Reaffirmed)
	Post Shipment Credit	Long Term	100.00	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	45.00	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	50.00	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	60.00	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	268.25	ACUITE AA- Stable (Reaffirmed)
	PC/PCFC	Long Term	291.00	ACUITE AA- Stable (Reaffirmed)
	PC/PCFC	Long Term	390.00	ACUITE AA- Stable (Reaffirmed)
	PC/PCFC	Long Term	74.20	ACUITE AA- Stable (Reaffirmed)
	PC/PCFC	Long Term	47.50	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	56.80	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	124.75	ACUITE AA- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	42.50	ACUITE AA- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Yes Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	200.00	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Kotak Mahindra Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	291.00	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	351.00	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	74.20	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Bank of Baroda	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.50	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Indusind Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	134.13	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Saraswat Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
State Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	39.00	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Union Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	56.80	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	124.75	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Bank of Baroda	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.50	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Saraswat Bank	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Indusind Bank Ltd	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	134.12	Simple	ACUITE A+ Stable Downgraded (from ACUITE AA-)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	114.43	Simple	ACUITE A1+ Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Sanidhya Jain Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.