

**Press Release**

**Amrut Exports**

March 30, 2020

**Rating Assigned**



<b>Total Bank Facilities Rated*</b>	Rs. 150.00 Cr
<b>Long Term Rating</b>	ACUITE BB/Stable (Assigned)

\* Refer Annexure for details

**Rating Rationale**

Acuite has assigned a long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs 150.00 crore bank facilities of Amrut Exports (AE). The outlook is '**Stable**'.

Mumbai based, Amrut Exports was established in 1993 as a proprietary concern by Mr Rajivbhai B Dhameliya. In 2017, AE was converted into a partnership firm with current partners Mr Rajivbhai B Dhameliya, Mrs Shardaben R Dhameliya, Mr Shailesh R Dhameliya and Mr Vrajesh R Dhameliya. The firm is engaged in processing of rough diamonds and sale of polished diamonds of less than 1 carat. It has its processing unit at Surat (Gujarat). ~ 30 per cent of the revenues of the firm are derived from exports to countries such as Hong Kong, USA and Thailand.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of AE to arrive at this rating

**Key Rating Drivers**

**Strengths**

• **Experienced partners:**

Mr Rajivbhai Dhameliya established AE in 1993, he has over four decades of experience in cut and polish diamond industry. The firm is well supported by second generation partners Mr Kirit D Dhameliya and Mr Mukesh B Dhameliya who are involved in procurement of rough diamonds, Mr Sandip D Dhameliya and Mr Shailesh Dhameliya who are involved in the financial and marketing functions. Over the years, AE has developed healthy relationships with its customers like KGK diamonds, Ashwin Diamonds, Kiran Gems, Sanghavi Diamonds and with suppliers like Aurostar Diamonds, Aaras Diam, Soradian NV.

Acuite believes that the business risk profile of the firm will continue to benefit from its established track record and experienced partners.

**Weaknesses**

• **Working capital intensive nature of business:**

The operations of the firm have remained working capital intensive marked by Gross Current Assets (GCA) of 230 days in FY2019 as against 237 days in FY2018. The high GCA days is majorly driven by high inventory holding period and receivables in FY2019 and FY2018. The inventory holding period stood at 98 days in FY2019 as against 120 days in FY2018. The receivable days stood at 106 days in FY2019 as against 107 days in FY2018. The average bank limit utilisation stood at ~80 percent for the last six months ended September 2019.

Acuite believes that the ability of the firm to efficiently manage its working capital operations will be key rating sensitivity.

• **Intense competition from large number of players in the organised and unorganised sector:**

The cut and polish diamond industry is characterised by the presence of a large number of organised and unorganised players leading to pressure on margins. The operating margins stood at 4.57 percent in FY2019 as against 4.94 percent in FY2018. AE is also exposed to volatility in diamond prices and fluctuations in forex rates. The firm imports ~85 percent rough diamonds and exports ~30 percent of its finished diamonds, which translates into a partial hedge in terms of forex risk. It is partly mitigated by the diamond dollar account which the firm maintains.

**Rating Sensitivity**

- Sustained growth in operating performance.
- Working capital cycle.
- Slowdown in industry leading to inventory pile up.

**Material Covenants**

None

**Liquidity Position: Stretched**

The firm's liquidity profile is stretched, marked by intensive working capital cycle. The Gross Current Asset (GCA) days stood at 230 days in FY2019. The firm had cash and bank balance of Rs. 0.36 crore as on 31 March, 2019. The current ratio of the firm stood comfortable at 1.29 times as on 31 March, 2019. The average bank facility utilisation for the past six months ended September 30, 2019 stood at ~80 percent.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	596.89	618.01
PAT	Rs. Cr.	15.70	14.88
PAT Margin	(%)	2.63	2.41
Total Debt/Tangible Net Worth	Times	3.10	6.85
PBDIT/Interest	Times	2.44	2.11

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

Not Applicable

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	150.00*	ACUITE BB/Stable (Assigned)

\*Sublimit – Export packing credit of Rs.30.00 crore; PCFC of Rs.150.00 crore of bill discounting

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### About Acuité Ratings & Research:

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