



**Press Release**  
**RED EXIM**  
**September 14, 2023**  
**Rating Reaffirmed and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	37.50	Not Applicable   Withdrawn	-
Bank Loan Ratings	62.50	-	ACUITE A3+   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	100.00	-	-

**Rating Rationale**

Acuite has reaffirmed & withdrawn its short term rating to '**ACUITE A3+** (read as **ACUITE A three plus**)' on bank facilities Rs 62.50 crore. The Proposed long term rating is withdrawn on bank facilities Rs 37.50 crore proposed bank facilities of Red Exim. The rating is being withdrawn on account of the request received from the firm and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

**Rationale for the reaffirmation**

The rating is reaffirmed considering the healthy financial risk profile of RE. It is also supported by experienced management & strong market presence. However, the rating is constrained by the working capital intensive nature of operations, inherent risk of capital withdrawn, volatility in prices of diamonds & fluctuations in forex risk.

**About the Company**

Constituted in 2010, RE is a Mumbai based partnership firm established by Mr. Sujal Shah and Mr. Heman Shah. It is engaged in cutting and polishing of diamonds. The firm procures its rough diamonds from both mining companies as well as secondary markets. Imports constitute around 40 percent of its total requirement and exports range between 57 percent of its total sales. RE primarily caters to East Asian region mainly Hongkong, Taiwan and China. It deals in range of 0.003 to 3 carats diamonds.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of RE for arriving at this rating.

**Key Rating Drivers**

**Strengths**

**Extensive experience of the partners and established track record of operations**

Constituted in 2010, RE is a partnership firm formed by brothers Mr. Sujal Shah and Mr. Heman Shah. Both have an industry experience of over three decades. Mr. Sujal Shah worked in Antwerp in the diamond assortment industry till 1995 and thereafter started his own diamond business. Mr. Heman joined Mr. Sujal Shah in 2010 to start RE. Prior to RE Mr. Heman Shah worked with a diamond company in its international sales department. Both the partners are

actively involved in day-to-day operations of the Firm and are duly supported by a team of experienced middle level managers and staff. Operating Income for FY23 stood at Rs 744.73

crore as against Rs 739.40 Cr in FY22. The reason in the increase in turnover is due to increasing demand for diamonds in local market. Further, EBITDA Margin for the FY23 stood at 4.59% as against FY22 at 4.42%. The Profit after tax margins (PAT) stood at 2.39% in FY23 as against 2.63% in FY22.

Acuité believes that RE will continue to benefit from the extensive experience of its partners and its established track record of operations.

### **Healthy Financial Risk Profile**

The financial risk profile of the firm remained healthy marked by healthy net worth, low gearing ratio & healthy debt protection metrics. The net worth stood at Rs 229.62 Cr as on 31 March 2023 as against Rs 213.92 Cr same period last year. The gearing level of the company stood at 0.36 times as on 31 March 2023 as against 0.38 times same period last year. Also, the Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio stood at 0.97 times in as on 31 March 2023 compared against 0.95 times as on 31 March 2022. The debt protection matrices of the company is improving marked by Interest Coverage Ratio (ICR) of 7.05 times for FY23 and Debt service coverage ratio (DSCR) of 5.07 times for the same period.

Acuité believes that the financial risk profile of RE will remain healthy over the medium term.

### **Weaknesses**

#### **Working capital intensive nature of operations**

The operations of the firm remained working capital intensive in nature marked by GCA Days of 203 days for FY23 as compared against 195 days for FY22. Furthermore, the receivables days stood 53 days in FY23 & 47 days in FY22. The inventory days of the firm stood at 154 days for FY23 as against 144 days for FY22. The creditor days stood at 71 days for FY23 compared against 61 days for FY22.

#### **Susceptibility of profitability margins to volatility in prices of diamonds and fluctuations in forex risk**

Due to high inventory holding period, the Firm runs an inherent risk of volatility in raw material prices. While the forex risk on exports is largely covered against imports, the price volatility risk in rough diamond threaten the thin profitability margins of the firm due to long working capital cycles.

#### **Inherent risk of capital withdrawal in a partnership firm**

The Firm is susceptible to the inherent risk of capital withdrawal given its constitution as a partnership. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

### **Rating Sensitivities**

Sustenance of the improved scale of operations while maintaining the profitability margins and capital structure

Elongation in its working capital cycle

### **All Covenants**

None

### **Liquidity Position**

#### **Adequate**

The liquidity position of the firm remains adequate marked by moderate net cash accruals of Rs 20.02 Cr in FY23 against NIL maturing debt obligations for the same period. The current ratio of the firm remains above unity at 2.29 times as on 31 March 2023. The firm has unencumbered cash and bank balances of Rs1.98 Cr as on 31 March 2023.

### **Outlook: Not Applicable**

### **Other Factors affecting Rating**

Not Applicable

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	744.73	739.40
PAT	Rs. Cr.	17.82	19.44
PAT Margin	(%)	2.39	2.63
Total Debt/Tangible Net Worth	Times	0.36	0.38
PBDIT/Interest	Times	7.05	23.94

### 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-52.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>

### 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Oct 2022	Post Shipment Credit	Short Term	30.00	ACUITE A3+ (Reaffirmed)
	Packing Credit	Short Term	22.50	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	10.00	ACUITE BBB   Positive (Reaffirmed)
	Proposed Bank Facility	Long Term	27.50	ACUITE BBB   Positive (Reaffirmed)
	Post Shipment Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
05 Sep 2022	Post Shipment Credit	Short Term	10.00	ACUITE A3+ (Assigned)
	Packing Credit	Short Term	22.50	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	27.50	ACUITE BBB   Stable (Assigned)
	Post Shipment Credit	Short Term	30.00	ACUITE A3+ (Reaffirmed)
21 Sep 2021	Proposed Bank Facility	Long Term	10.00	ACUITE BBB   Stable (Assigned)
	Post Shipment Credit	Short Term	30.00	ACUITE A3+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.50	ACUITE A3+   Reaffirmed & Withdrawn
Saraswat Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A3+   Reaffirmed & Withdrawn
Saraswat Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3+   Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	27.50	Not Applicable   Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	Not Applicable   Withdrawn

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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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