

## Press Release

Hari Darshan Exports Private Limited

March 06, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	37.81	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	150.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A3+   Assigned
Bank Loan Ratings	5.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	222.81	-	-

### Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BBB (read as ACUITE triple B)**' and short term rating of '**ACUITE A3+ (read as ACUITE A three plus)**' on the Rs. 155.00 crore bank facilities of Hari Darshan Exports Private Limited (HDEPL).

Acuite has assigned its long term rating of '**ACUITE BBB (read as ACUITE triple B)**' and short term rating of '**ACUITE A3+ (read as ACUITE A three plus)**' on the Rs. 67.81 crore bank facilities of Hari Darshan Exports Private Limited (HDEPL). The outlook is '**Stable**'.

### Rating Rationale

The rating reaffirmation factors in the experienced management, improvement in operating performance of the company marked by increase in operating income, improvement in operating margins and moderate utilization of bank limits. The company in the current year has recorded revenue of Rs.778.30 crore till December 2022. The operating income stood at Rs. 713.35 crore in FY2022 as against Rs. 449.21 crore in FY2021.. The increase in revenue in FY'22 was mainly because of the increase in demand across the diamond industry. The operating margin of the company stood at 7.27% in FY2022 as against 4.81% in FY2021. The improvement in margins is mainly driven by higher realisations and reduction in employee costs. The PAT margin of the company stood at 6.16% in FY2022 as against 1.96% in FY2021. The financial risk profile of the company continues to remain moderate marked by moderate net worth, gearing and debt protection metrics.

### About the Company

Mumbai based Hari Darshan Exports Pvt Ltd (HDEPL) was established as a partnership firm in 2004 by Mr.Bhavesh Odhavibhai Lakhani, Mr. Nileshkumar Lavjibhai Lakhani, Mr. Riteshbhai Jerambhai Lakhani and Mr. Dineshkumar Vashrambhai Dhola. The firm was converted to a private limited company in 2014. HDEPL is engaged in processing and trading of cut and polished diamonds of size ranging between 0.02 to 1 carat.. HDEPL is a DTC sight certificate holder since 2017, and has eight manufacturing facilities spreads Bhavnagar, Rajkot and

Surat. The Company has a total processing capacity of 20000 carats per month. HDEPL exports ~60-70 percent of its total sales in the key markets of Belgium, Israel, UAE, Hongkong and Spain among others.

### **Analytical Approach**

Acuité has considered the standalone view of the business and financial risk profile of HDEPL to arrive at the rating.

### **Key Rating Drivers**

#### **Strengths**

##### **Experienced management and established track record of operations**

HDEPL started operations in 2004 as a partnership firm to process and sell polished diamonds. The promoters, Mr. Bhavesh Odhavjibhai Lakhani, Mr. Nileshkumar Lavjibhai Lakhani, Mr. Riteshbhai Jerambhai Lakhani and Mr. Dineshkumar Vashrambhai Dhola have 2 decades of experience in the diamond industry. HDEPL is a DTC sight certificate holder since 2017. It exports 60-70 percent of its total sales primarily in the markets of Hong Kong, Belgium, Israel and UAE among others.

The Firm's revenue improved to Rs.713.35 Cr in FY2022, registering a growth of ~59 percent as against revenue of Rs.449.21 crore in FY2021. The operating profitability improved at 7.27 percent in FY2022 as against 4.81 percent in FY2021.

Acuité believes the experience of the promoters will help the company in maintaining their business risk profile on the back of established track of operations in the near to medium future.

##### **Long-standing relationship with reputed diamond mining companies in the world**

HDEPL has a long-term association with a major diamond company viz. De Beers for sourcing rough diamonds. Such contracts with key suppliers like them allow a steady supply at competitive rates. Diamond Trading Company (DTC), the marketing arm of De Beers, sells rough diamonds only to an exclusive group of manufacturers throughout the world called sight-holders. The status of being a sight-holder with these mining companies lend significant comfort to the sourcing arrangements of the company whereby they procure rough diamonds as per fixed-term contracts with DTC that also assures uninterrupted supply at competitive pricing rather than sourcing from secondary markets. 20-25% of the supply is from the primary market and the remaining 75-80% is from secondary market.

Acuité believes that HDEPL will benefit from its position as a sight-holder giving the Group a higher competitive advantage in terms of quality over the other players present in the diamond industry.

##### **Moderate financial risk profile**

The financial risk profile of the company stood moderate, marked by tangible net worth, moderate gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs.176.95 crore as on 31 March 2022 as against Rs.132.99 crore as on 31 March, 2021. The total debt of the company stood at Rs.134.87 crore which includes short-term debt of Rs.89.44 crore, long-term debt of Rs.37.94 crore, unsecured loans of Rs.2.91 crore and CPLTD of Rs.4.58 crore as on 31 March, 2022. The gearing (debt-equity) of the company stood at 0.76 times as on 31 March 2022 as compared to 1.13 times as on 31 March, 2021. This reduction is due to low utilization of forward bills discounting. Interest Coverage Ratio of the company stood at 7.20 times for FY2022 as against 2.69 times for FY2021. Debt Service Coverage Ratio (DSCR) of the company stood at 3.90 times in FY2022 as against 2.13 times in FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) of the company stood at 1.19 times as on 31 March, 2022 as against 1.48 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) of the company stood at 0.34 times for FY2022 as against 0.07 times for FY2021.

Acuité expects the financial risk profile to remain moderate over the medium term in the absence of any major debt-funded capex plan.

#### **Weaknesses**

##### **Working Capital Intensive nature of operations**

The working capital management of the company is intensive marked by GCA days of 170 days in FY2022 as against 228 days in FY2021. The GCA days are driven by high inventory days and debtor days. The inventory days stood at 66 days in FY2022 as against 80 days in FY2021. Generally, the company follows inventory holding period of 60-90 days. The debtor days stood at 107 days in FY2022 as against 147 days in FY2021. HDEPL generally gives a credit period of 90-120 days to its customers. The Creditor days stood at 34 days in FY2022 as against 29 days in FY2021. However, HDEPL generally allows a credit period within 90 days from its suppliers. However, despite high GCA days the average utilization of the Foreign Bill Discounting Limits of the company remained at 40-50% percent in last six months ended Dec' 22.

Acuité believes HDEPL's ability to restrict elongation in working capital cycle will be a key rating monitorable.

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

Due to high inventory holding period, the Company runs an inherent risk of volatility in raw material prices. The Company imports ~60-65 percent of its raw material requirement i.e. rough diamonds and its exports range between 60-70 percent of its total sales. The forex risk on exports is largely covered against imports, however, the price volatility risk in rough diamonds threaten the thin profitability margins of the company due to long working capital cycles.

### **Rating Sensitivities**

- Any further elongation in its working capital cycle.
- Any further increase in unbilled revenue which may bear an impact on the earning profile of the company.
- Ability to sustain its operating performance while maintaining its profitability and capital structure.

### **Material covenants**

None.

### **Liquidity Position Adequate**

The company's liquidity position is adequate, marked by healthy net cash accruals against its maturity debt obligations. The company generated net cash accruals in the range of Rs.9.04-Rs.46.37 Crore from FY 2020- 2022 against its maturity repayment obligations in the range of Rs.4.58-Rs.4.91 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.49.78-Rs.61.39 crore against the maturing repayment obligations of Rs.7.11-Rs.9.67 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 170 days in FY2022 as against 228 days in FY2021. The average of utilization of the working capital facilities stood at 40%-50% per cent for past 06 months ended December 2022. The company maintains unencumbered cash and bank balances of Rs.0.56 crore as on March 31, 2022. The current ratio of the company stands at 2.06 times as on March 31, 2022 as against 1.56 times as on 31 March, 2021.

Acuité believes that the liquidity of the Company is likely to remain adequate over the medium term on account of comfortable cash accruals against debt repayment obligations over the medium term constrained to some extent by working capital intensive nature of operations.

### **Outlook: Stable**

Acuité believes that HDEPL will maintain a 'Stable' outlook over medium term on account of extensive experience of its management, moderate operating performance and moderate financial risk profile. The outlook may be revised to 'Positive' in case the Company achieves higher than expected improvement in its scale of operations while maintaining its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of further elongation in its working capital cycle impacting its liquidity profile or incurring of a debt funded capex plan adversely impacting the financial risk profile of the company.

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	713.35	449.21
PAT	Rs. Cr.	43.96	8.81
PAT Margin	(%)	6.16	1.96
Total Debt/Tangible Net Worth	Times	0.76	1.13
PBDIT/Interest	Times	7.20	2.69

### 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>
- 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
29 Jun 2022	Short Term Loan	Short Term	2.50	ACUITE A3+ (Assigned)
	Short Term Loan	Short Term	2.50	ACUITE A3+ (Assigned)
	Post Shipment Credit	Long Term	15.00	ACUITE BBB   Stable (Assigned)
	Post Shipment Credit	Long Term	60.00	ACUITE BBB   Stable (Assigned)
	Post Shipment Credit	Long Term	75.00	ACUITE BBB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	26.79	ACUITE BBB   Stable   Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	11.02	ACUITE BBB   Stable   Assigned
Indusind Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	90.00	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE BBB   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A3+   Assigned
Indusind Bank Ltd	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A3+   Reaffirmed
State Bank of India	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A3+   Reaffirmed

### Sublimits:

1. Indusind Post Shipment Credit facility of Rs. 90 Cr includes sub-limit of EPC facility of Rs. 36 Cr and PCFC/Diamond dollar bills under collection facility of Rs.90 Cr.
2. SBI Post Shipment Credit facility of Rs.60 Cr includes sub-limit of EPC/PCFC facility of Rs.30 Cr and EBR of Rs.30 Cr.

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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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