



**Press Release**  
**Pavasiya Exports**  
**November 27, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.50	ACUITE BB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	5.50	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.5.50 Cr bank facilities of Pavasiya Exports (PE). The outlook is 'Stable'.

**Reason for reaffirmation**

The rating takes comfort from the established track record of operations of the firm along with experienced management. The rating also factors in the marginal improvement in the operating income of the firm and range bound operating margins of the firm. The revenue of the firm stood at Rs.29.40 crore in FY2023 as against the revenue of Rs.27.16 crore in FY2022. The firm has achieved a revenue of Rs.9.50 crore for H1 FY24. The operating margins stood at 3.59 percent in FY2023 as against 3.71 percent in FY2022. The ratings are constrained by the below-average financial risk profile, working capital intensive operations as well as the stretched liquidity position of the firm.

**About the Company**

Pavasiya Exports is a Mumbai-Maharashtra based partnership firm promoted by Mr Dhamjibhai Pavasiya, Ramjibhai Pavasiya, Ashokbhai Pavasiya, Manojbhai Pavasiya and Mr Milanbhai Pavasiya. It was established in the year 1984. The firm is engaged in the cutting, polishing and trading of diamonds. Their manufacturing facilities are in Surat and Mumbai. Their customers are 90% present in Hong Kong and rest in UAE, Belgium. Their suppliers are primarily from India Dubai, Belgium and UAE.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Pavasiya Exports (PE) to arrive at the rating.

**Key Rating Drivers**

**Strengths**

Established track record of operations and experienced management

Pavasiya Exports is promoted by Mr Dhamjibhai Pavasiya, Ramjibhai Pavasiya, Ashokbhai Pavasiya, Manojbhai Pavasiya and Mr Milanbhai Pavasiya. The promoters possess extensive

experience of more than a three decades in the diamond industry. The extensive experience of the promoters has helped PE to secure repeated orders. Acuité believes that the firm will benefit from its experienced management, long track of operation and diversified product portfolio.

## **Weaknesses**

### **Below-average financial risk profile**

The firm has a below average financial risk profile marked by low networth, low gearing and weak debt protection indicators. The tangible net worth of the firm stood at Rs.24.82 crore as on March 31, 2023, as against Rs.25.29 crore as on March 31, 2022. The gearing of the firm stood low at 0.32 times as on March 31, 2023. The total debt of the firm consists of long-term debt of Rs.0.28 crore and short-term debt of Rs.7.16 crore as on March 31, 2023. The interest coverage ratio stood at 1.53 times as on March 31, 2023, as against 4.72 times as on March 31, 2022. The DSCR stood below unity at 0.84 times as on March 31, 2023. Acuité believes that the ability of the firm to improve its financial risk profile will remain key monitorable in medium term.

### **Working capital intensive operations**

The firm's operations are working capital intensive as evident from the GCA days of 456 days as on March 31, 2023, as against GCA days of 482 days as on March 31, 2022. The inventory days stood at 273 days for FY23 as against 280 days for FY22. Average inventory holding period is around 150 days. The debtors' days stood at 163 days for FY23 as against 163 days for FY22. The average credit period allowed to the customers is around 150 days. The creditors days stood at 76 days for FY23 against 34 days for FY22. The average credit period received from the supplier is around 90 days. The working capital requirements are met by PCFC facilities which are utilized ~72 percent for last 6 months ending August 2023. Acuité believes the working capital management of the group will remain a key sensitivity in the medium term.

### **Risk of capital withdrawal**

PE was established as a partnership firm in 1984. The firm has witnessed withdrawal from partner's capital in FY2023. Any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure of the firm.

## **Rating Sensitivities**

Significant improvement in operating performance of the firm.  
Slowdown in industry leading to inventory pile up and elongation of receivables.  
Further deterioration in the financial risk profile of the firm.

## **All Covenants**

Not Applicable

## **Liquidity position:stretched**

The firm has a stretched liquidity position marked by low net cash accruals against the maturing debt obligations. The firm generated cash accruals of Rs.0.38 crore in FY23 as against maturing debt obligations of Rs. 0.59 crore over the same period. The firm is estimated to generate cash accruals of Rs.0.36-0.44 crore over the period 2024-2025 against maturing debt obligations of Rs.0.28 crore over the same period. The firm maintains unencumbered cash and bank balance of Rs.0.37 crore as on March 31, 2023. The current ratio is healthy at 2.83 times as on March 31, 2023.

## **Outlook: Stable**

Acuité believes that Pavasiya Exports will maintain a 'Stable' outlook over near to medium term on back of its established position in Cut & Polished Diamonds (CPD) industry. 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 Pavasiya Exports.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	29.40	27.16
PAT	Rs. Cr.	0.23	1.68
PAT Margin	(%)	0.79	6.20
Total Debt/Tangible Net Worth	Times	0.32	0.39
PBDIT/Interest	Times	1.53	4.72

### 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
30 Aug 2022	Post Shipment Credit	Long Term	2.75	ACUITE BB-   Stable (Assigned)
	Packing Credit	Long Term	2.75	ACUITE BB-   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
IDBI Bank Ltd.	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.75	ACUITE BB-   Stable   Reaffirmed
IDBI Bank Ltd.	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.75	ACUITE BB-   Stable   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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