

**Press Release**  
**AVP STAR PRIVATE LIMITED**  
**April 12, 2024**  
**Rating Assigned and Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Shc R
Bank Loan Ratings	35.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	45.00	ACUITE BBB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	80.00	-	-

**Rating Rationale**

ACUITE has reaffirmed its long-term rating of **ACUITÉ BBB'** (read as **Acuité Triple B**) to the Rs. 45.00 crore bank facilities of AVP Star Private Limited (ASPL). The outlook is 'Stable'.

ACUITE has assigned its long-term rating of **Acuité BBB'** (read as **Acuité Triple B**) to the Rs. 35.00 crore bank facilities of AVP Star Private Limited (ASPL). The outlook is 'Stable'.

**Rationale for Rating**

The rating takes into account the long track record of operations of the group in the natural diamond segment and the experience of its management of more than 25 years in the diamond industry. Further, the rating factors in the financial support extended by the group company (JK Star Pvt. Ltd.) and promoters in the company in the form of unsecured loans as well as preference shares. The rating also favourably factors in the significant increase in revenue of the group, which stood at Rs 1228.43 crore in FY 2023 as against Rs 1150.63 crore in FY 2022 and Rs 655.39 crore in FY 2021. Further, the financial risk profile of the group also remains healthy with low dependence on outside borrowing, and gearing stood at 0.43 times as of March 31, 2023 as against 0.08 times as of March 31, 2022. However, the above-mentioned rating strengths are partly offset by the nascent scale of operations as AVP becomes operational in October 2022. Further, the lab-grown diamond segment is slightly different from the current segment of the group. Also, the success and growth of businesses in the long run and market uncertainties will remain key factors to monitor going forward. The rating also considers the working capital-intensive nature of operations and their susceptibility to volatility in raw material prices and forex risk.

**About Company**

Incorporated in 2022, AVP Star Private Limited is located in Gujarat. It is engaged as a manufacturer and wholesaler of lab-grown diamonds across India. The current directors of the company are Mr. Vijaybhai Harakhjibhai Mavani, Mr. Nandesh Popatbhai Lukhi, and Mr. Shaileshkumar Popatlal Lukhi.

**About the Group**

J.K. Star Private Limited J. K. Star Private Limited was set up as a partnership firm in 1996 by Mr. Shailesh Lukhi and his brother, Mr. Nandesh Lukhi. JKS has been converted into Present Name, a private limited company, in September 2021. The company processes and trades in white natts (diamonds with inclusions). The company is headquartered in Mumbai, while its processing facility is in Surat (Gujarat).

**Unsupported Rating**

Not Applicable

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profile of 'J. K. Star Private Limited' and AVP Star Private Limited together referred as 'J. K. Star Group'. The consolidation is in view of common management, financial linkages between the entities. Furthermore, JKSP has extended corporate guarantee for the loans of AVP.

### Key Rating Drivers

#### Strengths

##### Experienced promoters and established operations of the group

M/s. AVP Star Private Limited is promoted mainly by three promoters, namely Mr. Vijaybhai Harakhjibhai Mavani, Mr. Nandesh Popatbhai Lukhi, and Mr. Shaileshkumar Popatlal Lukhi. The promoters so far have been doing business in natural diamonds and have a good experience of more than 25 years. The promoters of the company are already in the business of selling natural diamonds under J. K. Star Private Limited. The group exports to Hong Kong, the USA, Japan, Thailand, the UAE, and Germany, among others. Currently, the revenue generated from exports is 50% and from domestic sources is 50%.

Acuité believes that even though lab-grown diamonds are a different segment, the promoter's experience in the natural diamond industry will benefit the company in the near to medium term.

##### Healthy scale of operations of the group

The operations of the group remained healthy reflected by significant improvement in revenue and profitability from operations in last couple of years. The revenues of the group improved to Rs.1228.43Cr. in FY23 compared against Rs.1150.63 Cr. in FY22. The growth is majorly driven by healthy demand of white natt diamonds especially from the global markets like Hong Kong, USA among others. The growth was also supported with stabilization of operations of AVP star in the lab grown diamond segment. Going forward, the revenues are expected to continue the growth momentum with healthy demand and new capex plans for AVP star towards increase in annual capacity in FY25.

Furthermore, the profitability of the group also remained comfortable marked by operating profit margin of 9.54 percent in FY23 compared against 6.37 percent in FY22. The improvement in FY2023 was majorly on account sales of lab grown diamonds which yields better margins compared to natural diamonds. The profitability would be slightly lower in FY24 since the realization of polished lab grown diamond is lower and there are incremental fixed costs of AVP which could still not be fully absorbed. Simultaneously, the Profit after tax margins (PAT) stood at 6.81% in FY23 from 4.73% in FY22.

#### Weaknesses

##### Working capital intensive nature of operations

The operations of the group remained working capital intensive in nature marked by GCA Days of 119 days for FY23 compared against 115 days for FY22. The high GCA days is majorly on account of high inventory days of 88 days for FY23 compared against 71 days for FY22. Furthermore, the receivables days stood at 34 days in FY23 against 41 days in FY22. The creditor days of the group stood at 66 days for FY23 compared to 91 days for FY22.

##### Susceptibility to volatility in raw material prices and foreign exchange fluctuation risk

The group is exposed to volatility in diamond prices. Furthermore, almost 50% of the revenue of the group comes from exports, which expose it to foreign currency fluctuation risk. Hence, the profitability margins remain susceptible to any volatility in raw material prices as well as forex fluctuations.

## Rating Sensitivities

- Ability to improve its scale of operations in lab grown diamond while maintaining its profitability
- Elongation in working capital cycle

## Liquidity Position

### Adequate

The liquidity position of the group remains adequate marked by healthy net cash accruals against matured debt obligations. The group registered net cash accruals to the tune of Rs.88.48 Cr. in FY23 against no matured debt obligations during the same period. The net cash accruals of the group are expected to remain in the range of Rs.90 Cr. to Rs.105 Cr. during FY24-26 period against matured debt obligations of Rs.32.94 Cr. during the same period. The group has prepaid a part of the term loan in AVP in FY2024. The current ratio of the group remains above unity at 1.51 times as on 31 March 2023. The group has unencumbered cash and bank balances of Rs.3.48 Cr. as on 31 March 2023. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals against minimum long debt repayments, albeit high working capital requirement, over the medium term.

### Outlook: Stable

Acuité believes that AVP Star Private Limited will maintain a 'Stable' outlook over medium term on account of extensive experience of its management, established track record of operations and healthy 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 slower than expected growth in scale of operations or any further elongation in its working capital cycle impacting its liquidity profile.

### Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1228.43	1150.63
PAT	Rs. Cr.	83.64	54.41
PAT Margin	(%)	6.81	4.73
Total Debt/Tangible Net Worth	Times	0.43	0.08
PBDIT/Interest	Times	22.95	38.18

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

Not Applicable

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Jun 2023	Term Loan	Long Term	17.42	ACUITE BBB   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	27.58	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
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BBB   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.21	ACUITE BBB   Stable   Reaffirmed
Central Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2029	Simple	8.79	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2029	Simple	25.00	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2029	Simple	31.00	ACUITE BBB   Stable   Assigned

**\*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

1. AVP Star Private Limited
2. J. K. Star Private Limited

## Contacts

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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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