



Press Release
MANI EXPORT PRIVATE LIMITED
July 28, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.58	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	32.42	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	34.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BB+ (read as ACUITE Double B Plus)**' and short term rating of '**ACUITE A4+ (read as ACUITE A Four plus)**' on the Rs. 34.00 crore bank facilities of Mani Exports Private Limited (MEPL).

The rating takes into account the extensive experience of the promoters in the diamond industry along with established relations with suppliers and customers. The rating also factors in the above average financial risk profile of the company. These strengths are partially offset by high working capital requirement, exposure to intense competition and vulnerability to diamond price volatility.

About the Company

Mani Exports Private Limited (MEPL) was set up in 1987 as a partnership firm by Mr Nagjibhai B Sojitra and his family members. In 2014, the firm was reconstituted as a private limited company. The company is engaged in the cutting and processing of rough diamonds and exporting of polished diamonds of various sizes and shapes. MEPL has a registered office in Mumbai and its manufacturing unit is in Surat, Gujarat. The company exports its products to several countries, with the USA, Hong Kong, China, Israel, and the UK being the biggest ones.

Analytical Approach

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

Key Rating Drivers

Strengths

Long operational track record and experienced management

Mani Exports Private Limited (MEPL) was set up in 1987 as a partnership firm by Mr Nagjibhai B Sojitra and his family members. Later, it was reconstituted as a private limited company in 2014. The Company is now managed by the three sons of Mr Mathurbhai Sojitra, Anil Sojitra, Alpesh Sojitra and Chetan Sojitra. The extensive experience of the promoters has helped them in understanding the market dynamics & establishing strong relationships with their customers & suppliers. Acuite believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations.

MEPL's revenue stood at Rs 203.14 Cr in FY22 vis-à-vis Rs. 125.77 Cr in FY21, registering a Y-o-Y growth of 62 percent, which was mainly because of the increase in demand across the

Further, the revenue stood at Rs.204.32 Cr in FY23 (Prov) which is supported by increase in average realization (Rs 22471/CTS in FY23 vis-à-vis Rs. 17685/CTS in FY22), while volume contracted by 20% YoY. The company has total processing capacity of 15000-18000 CTS per month. The Margins stood flat at 4.20 percent in FY22 as against 4.01 percent in FY21. Further it stood at 4.38 percent in FY23 (Prov). Company's profitability is vulnerable to price movements in roughs and cut and polished diamonds. Any price decline in cut and polished diamond with rough prices remaining constant can put pressure on MEPL's already thin margins. The Margins are expected to be in the range of 4-5% in the coming fiscals because of the inherently low value-additive and fragmented nature of the CPD industry.

Acuite believes that the sustainability in the revenue growth and profitability margins would be a key monitorable going forward .

Above Average Financial Risk Profile

The Company's above average financial risk profile is marked by moderate net worth, low gearing and comfortable debt protection metrics. The tangible networth of the Company improved to Rs. 43.62 Cr as on March 31, 2022 from Rs. 39.21 Cr as on March 31, 2021 due to accretion of reserves. Further, the tangible networth of the Company increased to Rs. 48.44 Cr as on March 31, 2023 (Prov). Gearing of the Company stood low at 0.61 times as on March 31, 2022 as against 0.65 times as on March 31, 2021. However, the gearing is expected to remain comfortable at 0.51 times as on March 31, 2023 (Prov) in the absence of any major debt funded capex plans. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.63 times as on March 31, 2022 as against 1.58 times as on March 31, 2021 and remained at the level of 1.31 times as on March 31, 2023 (Prov). The comfortable debt protection metrics of the Company is marked by Interest Coverage Ratio (ICR) which stood at 5.47 times as on March 31, 2022 and Debt Service Coverage Ratio (DSCR) at 4.35 times as on March 31, 2022. Further, the Interest Coverage Ratio stood strong at 6.04 times as on March 31, 2023 and Debt Service Coverage Ratio to 4.73 times as on March 31, 2023 (Prov). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.20 times as on March 31, 2022. Acuite believes that going forward the financial risk profile of the Company will be sustained backed by improving accruals and no major debt funded capex plans.

Weaknesses

Working Capital Intensive Nature of operations

The working capital intensive nature of operation of the firm is marked by Gross Current Assets (GCA) days of 181 days in FY2022 as compared to 259 days in FY2021. The high GCA days are primarily driven by large receivables and inventory which stood at 123 days as on March 31, 2022 and 55 days as on March 31, 2022 respectively. Further, the Inventory period stood at 55 days as on March 31, 2023 (Prov) and debtor period stood at 125 days as on March 31, 2023 (Prov). Additionally, the creditor period ranging from 83-122 days from fiscal 2021-23. Acuite believes that the working capital requirement is likely to remain at similar levels in the near to medium term.

Exposure to intense competition, and susceptibility to volatility in diamond prices

Intense competition in the diamond trading industry restricts pricing flexibility and profitability of the company. With the firm being a net importer, its margins are susceptible to exchange rate fluctuations. However, the risk is partially mitigated by a natural hedge through exports and forward contract booking. MEPL's operations remain exposed to the volatility in rough diamond prices and the stiff competition in the industry, which affect its pricing flexibility to a large extent.

Rating Sensitivities

- Any further elongation in its working capital cycle.
- Ability to sustain its operating performance while maintaining its profitability and capital structure.

Material covenants

None

Liquidity Position

Adequate

The firm's liquidity is adequate marked by net cash accruals of Rs. 5.45 Cr against debt obligation of Rs 0.03 Cr over the same period. The cash accruals of the company are estimated to be in the range of around 5.88 Cr to 6.78 Cr during 2023-25. The cash and bank balances stood at Rs. 0.16 Cr as on March 31, 2022 as compared to Rs. 0.99 Cr as on March 31, 2021. The fund based utilization stood at 79 percent for six months ended March, 2023. Further, the Current ratio stood at 1.48 times as on March 31, 2022 vis-à-vis 1.51 times as on March 31, 2021. However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 181 days as on March 31, 2022 as against 259 days as on March 31, 2021. Acuité believes that going forward the firm will maintain adequate liquidity position due to steady accruals

Outlook: Stable

Acuité believes that MEPL 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	203.14	125.77
PAT	Rs. Cr.	4.39	1.75
PAT Margin	(%)	2.16	1.39
Total Debt/Tangible Net Worth	Times	0.61	0.65
PBDIT/Interest	Times	5.47	3.13

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

India ratings vide its press release dated 21st March 2023, had reaffirmed the company to IND-RA BB/A4+; Issuer Not Cooperating.

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.

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Saraswat Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.40	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.60	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE A4+ Assigned
Saraswat Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4+ Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.58	ACUITE BB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.42	ACUITE A4+ Assigned

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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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