



Press Release
G G EXPORTS
October 06, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	115.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	115.00	-	-

Rating Rationale

Acuité has assigned its short-term rating of 'ACUITÉ A4+' (read as ACUITE A four plus) on the Rs. 115.00 Cr. bank facilities of G. G. Exports (GGE).

Rationale for rating assigned

The rating assigned reflects the extensive experience of the partners of the firm over the last three decades in this line of business which helped them to better sense and understand the market dynamics. The rating is further supported by moderate financial risk profile of the firm marked by the moderate gearing and moderate debt protection metrics with debt-equity stood at 1.01 times as on 31 March, 2023 and DSCR stood at 2.89 times as on 31 March, 2023. However, the rating is constrained by the intensive working capital operations of the firm marked by the high GCA days of 227 days in FY2023. The rating also factors in the relatively unstable outlook for the diamond industry in view of increasing production for Lab-grown diamonds and the mounting recession over the developed nation around the world.

About the Company

Mumbai based, GGE was established in 2010. The Firm is engaged in the business of manufacturing and exports of diamonds. Currently, Mr. Sanjaykumar D. Zadaphia, Mr. Shailesh Kumar D. Zadaphia, Mr. Labhubhai G. Zadafia and Mr. Sandipkumar L. Zadafiya are partners of the firms. GGE is into the business of manufacturing of small size polish diamonds and exports of polish diamonds.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of G G Exports to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations

The partners of the firm are in the diamond manufacturing industry for over three decades through various partnerships over the years. This will help partners at GGE to better sense and understand the growing dynamics of the diamond industry ahead. This extensive experience of the partners was reflected in the sales recorded by the firm. The Topline of the firm was recorded at Rs. 442.01 crore in FY2023 which was marginally increased from Rs. 438.91 crore in FY2022. The operating margins of the firm stood at 5.49 percent in FY2023 with an increase of

26 basis point compared to 5.23 percent in FY2022. The Profit margins for the firm are deteriorated to 1.67 percent in FY2023 as against 2.11 percent in FY2022 due to higher bank interest expense for the year. The rough diamonds are imported from U.A.E. and Belgium. GGE

doesn't have any fixed contract with suppliers. Currently, GGE realizes around 23 percent of its revenue from the exports of the polish diamonds.

Acuite believes that GGE will continue to benefit from the vast promoter's experience in the diamond industry with established track record of operations.

Moderate Financial Risk Profile

The financial risk profile of the firm stood moderate, marked by moderate net worth, moderate gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs.100.44 crore as on 31 March 2023 as against Rs.113.79 crore as on 31 March 2022. It was reduced on account of higher withdrawal by the partners as compared to profits made for the year. The total debt of the firm stood at Rs.101.59 crore which consist of short-term debt of Rs.94.58 crore and unsecured loans of Rs.7.01crore as on 31 March 2023. The firm follows a conservative financial risk policy reflected through its peak gearing of 1.01 times as on 31 March 2023. The gearing (debt-equity) stood at 1.01 times as on 31 March 2023 as compared to 0.8 times as on 31 March 2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.05 times as on 31 March 2023 as against 2.00 times as on 31 March 2022. Interest Coverage Ratio stood at 3.45 times for FY2023 as against 5.18 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 2.89 times in FY2023 as against 4.1 times in FY2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.13 times for FY2023 as against 0.16 times for FY2022.

Acuite believes that the financial risk profile of the firm may continue to remain moderate on account of steady cash accruals with no debt-funded capex plans.

Weaknesses

Working Capital Intensive Operations

The working capital management of the firm is Intensive marked by high GCA days of 227 days in FY23 as against 255 days in FY22. The GGE maintains inventory levels of around 176 days in FY23 as against 178 days for FY22. Subsequently, the debtor's collection period stood at 52 days in FY23 as against 78 days for FY22. Furthermore, the creditor days stood at 95 days in FY23 as against 126 days in FY22. As a result, the reliance of working capital limits is moderate reflected by average utilization of its working capital limits of around ~79 percent for IndusInd Bank and Nil Utilizations for Yes Bank Limits in last 08 months ending August' 2023. Acuite expects the working capital operations of the firm may continue to remain intensive on account of higher inventory days associated with the nature of business.

Impact on industry due to rising demand for lab grown diamond and recession in developed nations

The inflationary trends and geo-political instabilities around the world are influencing the worldwide diamond market. The Western economies, particularly the United States and Europe, have experienced periods of slow growth, which has impacted consumer spending, including on luxury items like diamonds. Trade wars and increasing protectionism have also impacted the flow of diamonds between countries, affecting the Indian exports. The growing market for lab-grown diamonds, often marketed as ethical and more affordable alternatives, is impacting the demand for natural diamonds, which is turn is affecting the prices for the polished diamonds in the markets.

Acuite believes that the instability in western markets and increasing demand for lab grown diamonds around the world may make it difficult for the significant rise in natural diamonds sales.

Rating Sensitivities

- Any deterioration in financial risk profile.
- Further elongation in working capital cycle leading to stretch in liquidity.
- Improvement in industry dynamics leading to significant growth in scale of operations while maintaining profitability margins.

All Covenants

None

Liquidity Position**Adequate**

The firm's liquidity position is adequate, marked by moderate net cash accruals against no long-term debt obligations. The firm has generated sufficient net cash accruals in the range of Rs.13.38-14.23 Crore from FY2022 and FY2023. In addition, it is expected to generate sufficient cash accrual in the range of Rs.13.46-15.44 crore in FY2024 and FY2025. However, the working capital management of the firm is intensive marked by GCA days of 227 days in FY2023 as against 255 days in FY2022. The reliance of working capital limits is moderate reflected by average utilization of its working capital limits of around ~79 percent for IndusInd Bank and Nil Utilizations for Yes Bank Limits in last 08 months ending August' 2023. The firm maintains unencumbered cash and bank balances of Rs.0.43 crore as on March 31, 2023. The current ratio stands at 1.4 times as on March 31, 2023, as against 1.41 times as on 31 March 2022.

Acuite believes the liquidity position of the firm may continue to remain adequate with steady cash accruals.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	442.01	438.91
PAT	Rs. Cr.	7.36	9.27
PAT Margin	(%)	1.67	2.11
Total Debt/Tangible Net Worth	Times	1.01	0.80
PBDIT/Interest	Times	3.45	5.18

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

None

Any other information

Not Applicable

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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
Indusind Bank Ltd	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A4+ Assigned
Yes Bank Ltd	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	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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