

Press Release

G G EXPORTS

July 04, 2024

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	115.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	185.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ BB+**' (read as **ACUITE double B plus**) on the Rs. 70.00 Cr. bank facilities of G. G. Exports (GGE). The outlook is '**Stable**'. Further, Acuite has reaffirmed 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 reaffirmation and assigned

The rating 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 low gearing and moderate debt protection metrics with debt-equity stood at 0.63 times and DSCR at 2.33 times as on 31 March, 2024 (Prov). However, the rating is constrained by the intensive working capital operations of the firm marked by the high GCA days of 268 days in FY2024 (Prov). 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 the same.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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 has helped the partners at GGE to better sense and understand the growing dynamics of the diamond industry over the years. The Firm

recorded a topline at Rs. 385.10 crore in FY2024 (Prov) which has decreased from Rs. 442.01 crore in FY2023. However, the operating margins of the firm stood at 7.01 percent in FY2024 (Prov) with an increase of 152 basis point compared to 5.49 percent in FY2023. Further, The Profit margins for the firm has also improved to 2.02 percent in FY2024 (Prov) as against 1.67 percent in FY2023. The rough diamonds are imported from U.A.E. and Belgium. GGE doesn't have any fixed contract with suppliers. Currently, GGE realized around 17 percent of its revenue from the direct 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, low gearing (debt-equity) and moderate debt protection metrics. The partner's capital stood at Rs.116.38 crore as on 31 March 2024 (Prov) as against Rs.100.44 crore as on 31 March 2023. It has increased on account of funds infusion by the partners and the profits made for the year. Further, The total debt of the firm has declined from Rs.101.59 crores as on 31 March 2023 to Rs.73.44 crore as on 31 March 2024 (Prov), which consist of short-term debt of Rs.68.06 crore and unsecured loans of Rs.5.37 crore. The gearing (debt-equity) stood at 0.63 times as on 31 March 2024 (Prov) as compared to 1.01 times as on 31 March 2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.72 times as on 31 March 2024 (Prov) as against 2.05 times as on 31 March 2023. Interest Coverage Ratio stood at 2.62 times for FY2024 (Prov) as against 3.45 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 2.33 times in FY2024 (Prov) as against 2.89 times in FY2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.19 times for FY2024 (Prov) as against 0.13 times for FY2023.

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 stood Intensive marked by high GCA days of 268 days in FY24 (Prov) as against 227 days in FY23. This increment in GCA days are due to increase in the inventory for the company. The GGE maintains inventory levels of around 226 days in FY24 (Prov) as against 176 days for FY23. Subsequently, the debtor's collection period stood at similar levels of 52 days in FY24 (Prov) as against FY23. However, the creditor days stood increased at 136 days in FY24 (Prov) as against 95 days in FY23. As a result, the reliance of working capital limits is moderate reflected by average utilization of its working capital limits of around ~74 percent in last 12 months ending March' 2024.

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.

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 of around Rs.13.8 Crore in FY2024 (Prov) and FY2023. In addition, it is expected to generate sufficient cash accrual in the range of Rs.15.11-24.02 crore in FY2024 and FY2025. However, the working capital management of the firm is intensive marked by GCA days of 268 days in FY2024 (Prov) as against 227 days in FY2023. The reliance of working capital limits is moderate reflected by average utilization of its working capital limits of around ~74 percent in last 12 months ending March' 2024. The firm maintains unencumbered cash and bank balances of Rs.3.47 crore as on March 31, 2024 (Prov). The current ratio stands at 1.47 times as on March 31, 2024 (Prov), as against 1.40 times as on 31 March 2023.

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

Outlook: Stable

Acuité believes that GGE will maintain a 'Stable' outlook over medium term on account of extensive experience of its management, established track record of operations and moderate financial risk profile. The outlook may be revised to 'Positive' in case the firm 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	385.10	442.01
PAT	Rs. Cr.	7.80	7.36
PAT Margin	(%)	2.02	1.67
Total Debt/Tangible Net Worth	Times	0.63	1.01
PBDIT/Interest	Times	2.62	3.45

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Oct 2023	Packing Credit	Short Term	100.00	ACUITE A4+ (Assigned)
	Packing Credit	Short Term	15.00	ACUITE A4+ (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 avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE A4+ Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A4+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE BB+ Stable Assigned
State Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE BB+ Stable 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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