

Press Release

Sim Diam Private Limited

January 27, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	133.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	133.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.133.00 crore bank facilities of Sim Diam Private Limited (SDPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation:

The Rating has been reaffirmed on account of consistent business performance and stable financial risk profile of Sim Diam Private Limited. The Company's total operating income stood at Rs. 401.48 Cr in FY2021 as against Rs.438.30 Cr in FY2020. The Company in 9MFY2022 has done a revenue of Rs. 461.26 Cr i.e. surpassing its FY2021 income. The operating margins of the Company stood at 5.33 percent in FY2021 as against 5.30 percent in FY2020. The financial risk profile continues to remain moderate marked by high net worth, moderate gearing and debt protection measures.

About the Company

Sim Diam Private Limited (SDPL), based in Mumbai, is engaged in manufacturing of cut and polished diamonds at its facilities at Chhapi, Gujarat. The company has established presence since 1998, later changed to a private limited company in 2006. The company is promoted by Mr. Roshan Sethia and family. The company operates in India and derives 60 to 65 percent of revenues through exports to countries like Hong Kong, USA, Israel, Thailand, Europe and Belgium.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Sim Diam Private Limited (SDPL) for arriving at the rating.

Key Rating Drivers

Strengths

> Experienced management and establish track record of operations:

SDPL was operational as a partnership firm since 1998, prior to being incorporated as a private limited company in 2006. The Company is owned and operated by Mr. Roshan Sethia along with his family members. Mr. Sethia possesses over two decades of experience in gems and jewelry industry. The promoters are ably supported a line of mid-level managers. SDPL's operating income stood at Rs. 401.48 Cr in FY2021 as against Rs. 438.30 Cr in FY2020. The slight

decline in revenues is mainly due to impact of Covid-19 induced lockdown in FY2021, the Company's operations were suspended for over two months during that period. The Company has recorded robust recovery thereafter, in 9MFY2022 the company has grossed Rs. 461.26 Cr in term of its sales and is expected to close the year at above Rs.500 Cr. The Company exports around 60-65 percent of its total sales in key markets of Hong Kong, US, Israel, Thailand, European countries and Belgium.

Acuite believes that SDPL will continue to benefit from the experience of its promoters and established track record of its operations over the medium term.

> Moderate Financial Risk Profile:

The financial risk profile of SDPL continues to remain moderate marked by high net worth, moderate gearing and debt protection measures. The Tangible net worth stood at Rs. 116.95 Cr as on 31 March 2021 as against Rs.107.26 Cr as on 31 March, 2020. The improvement in net worth is attributable to accretion of profits to reserves over the period. The gearing stood moderate at 1.08 times as on March 31 2021 as against 1.10 times as on March 31, 2020. The total borrowings of Rs. 126.54 Cr as on March 31, 2021 comprises of short term borrowings of Rs. 112.69 Cr, term loan of Rs. 7.04 Cr and Rs. 6.81 crore of unsecured loans from promoters and related parties. The interest coverage ratio (ICR) stood at 3.00 times in FY2021 as against 2.85 times in FY2020. The DSCR stood at 2.36 times for FY2021 as against 2.32 times for FY2020. The total outside liabilities to tangible net worth stood at 1.73 times as on March 31, 2021 as against 2.13 times as on March 31, 2020. The Debt to EBITDA stood at 5.73 times as on March 31, 2021 as against 5.00 times as on March 31, 2020.

Acuité believes SDPL's financial risk profile to remain moderate over the medium term in absence of any major debt-funded capex plan.

Weaknesses

> Working capital intensive nature of operations:

SDPL's operations are working capital intensive in nature as reflected by its gross current asset days of 273 days as on March 31, 2021 as against 262 days as on March 31, 2020. The GCA days are driven by inventory and debtor days. The debtor days increased to 128 days as on March 31, 2021 as against 96 days as on March 31, 2020. The inventory days stood at 148 days as on March 31, 2021 as against 171 days as on March 31, 2020. The average bank limit utilization of its fund based facility for the seven months ended December, 2021 was ~73 percent.

Acuité believes SDPL's ability to restrict further elongation in working capital cycle will be a key rating sensitivity.

> Susceptibility of profitability margins to volatility in prices of diamonds and fluctuations in forex risk

Due to high inventory holding period, the Company runs an inherent risk of volatility in raw material prices. The Company imports 55-75 percent of its total diamond requirement and exports more than 60-65 percent of its total sales. The forex risk on exports is largely covered against imports, however the price volatility risk in rough diamonds threaten the thin profitability margins of the company due to long working capital cycles.

Rating Sensitivities

- > Ability to improve its scale of operations while maintaining its profitability and capital structure
- > Any further elongation in its working capital cycle

Material covenants

None

Liquidity Position: Adequate

SDPL generated net cash accruals of Rs.11.07 Cr and Rs.11.63 Cr in FY2021 and FY2020 respectively while its repayment obligations during the same period stood in the range of

Rs.0.29-0.44 Cr. The cash accruals of the Company are expected to remain in the range of Rs.15-17 Cr over the medium term against debt repayment obligations of Rs.0.94-5 Cr for the same period. The business of the SDPL is working capital intensive with gross current asset (GCA) days of around 273 days in FY2021. The average bank limit utilization of its fund based facility for the seven months ended December, 2021 stood at ~73 percent. The unencumbered cash and bank balance stood at Rs.0.55 Cr as on March 31, 2021. The current ratio was 1.62 times as on March 31, 2021. Acuité believes that the liquidity of the Company is likely to remain adequate over the medium term on account of comfortable cash accruals constrained to some extent by working capital intensive nature of operations and debt repayment obligations over the medium term.

Outlook: Stable

Acuité believes that SDPL will maintain a 'Stable' outlook over medium term on account of experienced and established track record of operations. 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	401.48	438.30
PAT	Rs. Cr.	9.69	10.14
PAT Margin	(%)	2.41	2.31
Total Debt/Tangible Net Worth	Times	1.08	1.10
PBDIT/Interest	Times	3.00	2.85

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

CARE Ratings vide its press release dated August 10, 2021 had denoted the rating of Sim Diam Private Limited as 'CARE B+/Stable; Downgraded, ISSUER NOT COOPERATING'

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Nov	Proposed Bank Facility	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Bills Discounting	Long Term	12.25	ACUITE BBB- Stable (Assigned)
	Packing Credit	Long Term	10.75	ACUITE BBB- Stable (Assigned)
	Packing Credit	Long Term	26.00	ACUITE BBB- Stable (Assigned)

2020	Bills Discounting	Long Term	30.00	ACUITE BBB- Stable (Assigned)
	Packing Credit	Long Term	6.00	ACUITE BBB- Stable (Assigned)
	Post Shipment Credit	Long Term	30.00	ACUITE BBB- Stable (Assigned)
	Post Shipment Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	12.25	ACUITE BBB- Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB- Stable Reaffirmed
Central Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.75	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB- Stable Reaffirmed
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE BBB- Stable Reaffirmed
Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB- Stable Reaffirmed

1. Maximum Limit of Post Shipment facilities of Bank of India facilities – Rs.30.00 crores
2. Interchangeability of Central Bank of India facilities: Pre –Shipment to Post Shipment 100%, Post Shipment to pre shipment 30%. Usance: 120 to 150 days. Also avails Forward cover of Rs.0.46 crores.
3. Sub Limit for Indusind Bank facilities: EPC – Rs.9.00 crores, PCFC – Rs.30.00 crores. Also avails Forward cover of Rs.5.00 crores.

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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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