

Press Release

Sim Diam Private Limited

April 06, 2023



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	-	-

Rating Rationale

Acuite has reaffirmed its 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 reaffirmation

The rating reaffirmation factors in the improvement in operating performance of the company in FY2022 marked by increase in operating income and stable operating margins. The company's total operating income stood at Rs. 574.75 crore in FY2022 as against Rs.401.48 crore in FY2021. The increase in revenue was mainly because of the increased demand in the diamond industry post pandemic. The operating margin of the company stood at 4.59% in FY2022 as against 5.33% in FY2021. The decline in margin is on account of foreign exchange loss of Rs. 3.82 crore in FY2022 as against the foreign exchange gain of Rs. 3.84 crore in FY2021. The PAT margin of the company stood at 2.50% in FY2022 as against 2.41% in FY2021. The financial risk profile of the company continues to remain moderate marked by moderate net worth, low gearing and healthy debt protection metrics. However, the rating is constrained on account of working capital intensive nature of operation.

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

Acuite 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. The Company exports around 55-60 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 the company continues to remain moderate marked by moderate tangible net worth of Rs.131.35 crore as on 31 March, 2022 as against Rs.116.95 crore as on 31 March, 2021. The gearing level of the company remained low at 0.83 times as on 31 March, 2022 as against 1.08 times as on 31 March, 2021. The total debt outstanding of Rs.109.61 crore consists of working capital borrowings of Rs.87.24 crore, unsecured loan from promoters of Rs.7.25 crore and term loan(covid loans) of Rs.15.13 crore as on 31 March, 2022.

The coverage ratios of the company remained healthy with Interest Coverage Ratio (ICR) of 4.27 times for FY2022 against 3.00 times for FY2021. Also, the Debt Service Coverage Ratio (DSCR) stood at 3.38 times for FY2022 against 2.36 times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 1.53 times as on March 31, 2022 against 1.73 times as on March 31, 2021. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.14 times for FY2022 as against 0.09 times for FY2021.

Acuite 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

The operations of the company are of working capital intensive nature marked by high GCA of 200 days for FY2022 as against 273 days for FY2021. The GCA days are high majorly on account of high inventory levels of 168 days for FY2022 compared against 148 days for FY2021. The debtor days stood at 37 days for FY2022 against 128 days for FY2021. The creditor days of the company stood at 61 days for FY2022 as against 74 days for FY2021. The average utilization of the working capital limits of the company remained on the moderate side of ~69.90 percent in last nine months ended Jan' 2023.

Acuite believes that company's ability to restrict any further elongation of working capital cycle is a key rating monitorable.

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 55-60 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 has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.15.50 crore in FY2022 as against maturing debt obligations of Rs.0.13 crore. The average utilization of the working capital limits of the company remained on the moderate side of ~69.90 percent in last nine months ended Jan' 2023. The cash accruals of the company are estimated to remain around Rs.14.65-16.63 crore during 2023-25 period while maturing debt obligations in the range of Rs.1.20-3.40 crore during the same period. Furthermore, the company maintains cash and bank balances of Rs.1.42 crore as on March 31, 2022 and the current ratio also stood at 1.79 times as on March 31, 2022.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	574.75	401.48
PAT	Rs. Cr.	14.40	9.69
PAT Margin	(%)	2.50	2.41
Total Debt/Tangible Net Worth	Times	0.83	1.08
PBDIT/Interest	Times	4.27	3.00

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

None

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, Acuité 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
27 Jan 2022	Packing Credit	Long Term	10.75	ACUITE BBB- Stable (Reaffirmed)
	Bills Discounting	Long Term	12.25	ACUITE BBB- Stable (Reaffirmed)
	Packing Credit	Long Term	6.00	ACUITE BBB- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	26.00	ACUITE BBB- Stable (Reaffirmed)
	Post Shipment Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Packing Credit	Long Term	26.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	12.00	ACUITE BBB- Stable (Reaffirmed)
	Bills Discounting	Long Term	30.00	ACUITE BBB- Stable (Reaffirmed)
02 Nov 2020	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)
	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)
	Bills Discounting	Long Term	30.00	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
Central Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	12.25	ACUITE BBB- Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB- Stable Reaffirmed
Central Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	10.75	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB- Stable Reaffirmed
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE BBB- Stable Reaffirmed
Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB- Stable Reaffirmed

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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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