

Suashish Diamonds Limited

March 07, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action	
Long Term Bank	119.62	CARE A-; Stable	Reaffirmed	
Facilities	(Reduced from 148.00)	(Single A Minus; Outlook: Stable)		
Total Bank	119.62			
Facilities	(Rs. One Hundred Nineteen Crore			
racilities	and Sixty-Two Lakhs Only)			

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the bank facilities of Suashish Diamonds Limited (SDL) continues to derive strength from the vast experience and resourcefulness of the promoters, SDL's established track record of more than two decades in the G&J industry and healthy profitability margins. The ratings also take into consideration comfortable capital structure and strong liquidity position. The above strengths are however, tempered down by customer concentration risk, volatility in raw material prices and presence in a highly competitive and fragmented industry.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustenance of PBILDT margin in jewellery business above 15%
- Sustained increase in scale of operations of the company above Rs.1000.00 crore

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Decline in operating profitability of the jewellery business below 10% on a sustained basis
- Increase in overall gearing above 0.60x on a sustained basis
- Significant increase and sustained level of operating cycle above 75 days

Detailed description of the key rating drivers

Key Rating Strengths

Experienced and reputed promoters in G&J industry

SDL is engaged in manufacturing of diamond studded jewellery having presence in domestic as well as overseas market. Mr. Ashish Goenka, son of Mr. Ramesh Goenka, is the Chairman & Director of SDL with an experience of over 25 years in the Gems & Jewellery (G&J) Industry. The management of the group is assisted by a team of well qualified and experienced directors, who are actively involved in various functions of the business.

Comfortable leverage and debt coverage indicators

SDL uses working capital facility secured against Debt Mutual Funds pledged by M G Investment (MGI - subsidiary of SDL). SDL's utilization of working capital facilities remained comfortable and very low at an average of 8.58% for 12 months ended January 2022. Gearing ratio improved to 0.02x during FY21 from 0.07x during FY20 due to decrease in total debt (working capital borrowings) as on 31st March 2021.

Diversified geographical presence

SDL has a vast global presence with clients based out of almost all the major gems and jewellery hubs in the world. The company is primarily an exporter with exports contributing a significant part of the total revenue. The main markets for their exports are based in multiple countries – USA being the highest, followed by Canada and UK.

Healthy profitability margins in jewellery business, supported by other income through investments

Profitability margins are better in jewellery business compared to CPD business due to higher value addition. Moreover, during FY21 as the demand from USA improved for diamond studded jewellery, prices of gold/silver diamond studded jewellery increased rapidly. In turn, company witnessed further improvement in profitability margin from jewellery business.

Additionally, company has significant investments in various instrument and in subsidiary companies as well. Fluctuation in other income from these investments results in fluctuating overall PBILDT margin of the company. During FY21, stock markets indices hit fresh highs from the lows of March-20. Due to that surge, value of company's investment went up significantly.

Comfortable working capital cycle

In gems & jewellery industry, generally working capital cycle tends to remain stretched, however, SDL has relatively comfortable working capital cycle at 86 days. Although, working capital cycle of SDL deteriorated to 86 days in FY21 compared

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications



to 57 days in FY20, it is still comfortable considering working capital intensive nature of jewellery manufacturing business. The deterioration in working capital cycle was primarily on account of decrease in creditors' payment period and increase in collection days.

Key Rating Weaknesses

Client concentration risk exists

During FY21, top ten customers accounted for 93.74% (FY20: 90.47%) of the total revenues, of which 88.75% of the revenues were towards group affiliates, Suashish Jewel Inc (USA) & Suashish Jewels Canada Inc. Thus, customer concentration risk exists to a large extent.

Susceptibility to volatility in raw material prices

The profitability margins of SDL are susceptible to the prices of rough diamonds, C&P diamonds and gold which are market driven and volatile in nature. Although the volatility of raw material prices is limited for SDL by procuring gold from local banks on cash basis and backed by orders any adverse movement in raw material prices can affect the profitability of the company.

Forex Risk; albeit natural hedge exists

SDL is in the business of manufacturing and export of diamond studded Jewellery and trading in diamonds where majority of its receivables are in foreign currency i.e. USD. SDL follows the principles of natural hedge by maintaining assets and liabilities in same currency i.e. in USD or INR. Further, loans are either availed in INR or in USD (with forward cover) to arrive at the loan in equivalent INR. During FY21, SDL reported exchange gain to the tune of Rs. 0.13 cr. (PY loss of 2.47 cr.)

Liquidity: Strong

SDL does not have any long-term debt. Liquid investments held in the books of MGI (subsidiary of SDL) are pledged against working capital facilities obtained by SDL. The overall gearing ratio improved to 0.02x in FY21 from 0.07x in FY20 due to reduction in total debt as on 31st March 2021. With comfortable gearing, the issuer has sufficient gearing headroom to raise additional debt. Operating cycle has increased to 86 days in FY21, as compared to 57 days in FY20 on account of decrease in creditors days. Credit period has decreased to 32 days in FY21 compared to 57 days in FY20.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings

CARE's Policy on Default Recognition

Financial Ratios - Non - Financial Sector

Liquidity Analysis of Non-Financial Sector Entities

CARE's methodology for manufacturing companies

About the Company

Suashish Diamonds Ltd (SDL) is the flagship company of Suashish Group. SDL is engaged in the manufacturing of diamond studded jewellery. The company has jewellery manufacturing facilities at Borivali and SEEPZ in Mumbai. Over a period of time, the group has expanded its operations and established subsidiaries/associates in the key Gems & Jewellery markets of USA and Canada.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	439.90	672.42	456.81
PBILDT	24.79	233.66	75.82
PAT	-14.42	324.02	59.45
Overall gearing (times)	0.07	0.02	NA
Interest coverage (times)	3.38	98.49	252.73

A: Audited, UA: Unaudited, NA: Not Applicable,

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in

Annexure-3

Complexity level of various instruments rated for this company: Annexure 4



Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	-	119.62	CARE A-; Stable

Annexure-2: Rating History of last three years

		Current Ratings		Rating history				
Sr. No.	Name of the Instrument/Bank Facilities	Туре	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based-Long Term	LT	119.62	CARE A-; Stable	-	1)CARE A-; Stable (05-Mar-21)	1)CARE A-; Stable (26-Feb-20)	1)CARE A-; Stable (18-Feb-19)

^{*} Long Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities - NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based-Long Term	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.



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