

Suashish Diamonds Limited

March 07, 2022

Ratings

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

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