

Suashish Diamonds Limited

March 30, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE A-; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE A-/Stable; [A Minus; Outlook: Stable] assigned to the bank facilities of Suashish Diamonds Limited with immediate effect. The above action has been taken at the request of Suashish Diamonds Limited and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

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.

Analytical approach: Standalone

Outlook: Stable

CARE Edge believes that Suashish Diamonds will continue to benefit from its established market position in the diamond studded jewellery and will be able to maintain its profitability due to the same.

Key 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 8-9% for 12 months ended February 2023. Gearing ratio remained at 0.02x during FY22.

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 FY22 as the demand from USA improved for diamond studded jewellery, prices of gold/silver diamond studded jewellery increased rapidly. The Total operating income for FY22 was 753.42 crores. 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. Non-operating income for FY22 was around 147.87 crores vis a vis 261.81 crores for FY21.

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 83 days. Working capital cycle of SDL improved to 83 days in FY22 compared to 86 days in FY21, it is comfortable considering working capital intensive nature of jewellery manufacturing business.

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

Key Weaknesses:

Client concentration risk exists.

During FY22, top ten customers accounted for 90% of the total revenues, of which major portion of revenues was 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.

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 remained stable at 0.02x in FY22. With comfortable gearing, the issuer has sufficient gearing headroom to raise additional debt. Operating cycle has increased to 83 days in FY22, as compared to 86 days in FY21.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable Criteria:

[Cut and Polished Diamonds](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Manufacturing Companies](#)

[Policy on default recognition](#)

[Policy on Withdrawal of Ratings](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

About the Company & Industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

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 (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (P)
Total operating income	555.96	753.42	495.17
PBILDT	117.20	145.46	NA
PAT	324.02	238.37	NA
Overall gearing (times)	0.02	0.02	NA
Interest coverage (times)	49.40	80.75	NA

A: Audited; UA: Unaudited; P: Provisional; NA: Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd.: NA

Disclosure of Interest of Managing Director & CEO: NA

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Long Term		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based-Long Term	LT	-	-	-	1)CARE A- ; Stable (07-Mar-22)	1)CARE A- ; Stable (05-Mar-21)	1)CARE A- ; Stable (26-Feb-20)

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings 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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About us:

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