Ritesh Export

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	10.29 (Reduced from 20.95)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	75.00	CARE BB+; Stable / CARE A4+	LT rating reaffirmed and ST rating assigned
Long Term / Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Ritesh Export (RIE) continue to be constrained on account of its thin profitability, moderate debt coverage indicators and stretched liquidity. The ratings are also constrained due to susceptibility of profitability to volatility in the prices of rough diamonds and exchange rate fluctuations, its presence in a highly competitive, working capital intensive and fragmented CPD (Cut and Polished) industry and constitution as a partnership firm.

The ratings, however, continue to derive strength from vast experience of RIE's partners in the cut & polished diamond (CPD) industry with established track record of operations, well established distribution network with long-term business relationship with clientele in key export markets, moderate scale of operations and comfortable capital structure.

The long-term/ short-term bank proposed facility of Rs. 4.05 crores have been withdrawn

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in the scale of operations of the company above Rs. 400 crores along with improvement in PBILDT margin above 4.00% on a sustained basis.
- Effective management of its working capital requirement leading to operating cycle of less than 80 days on a sustained basis

Negative factors

- Decline in TOI below Rs.200 crore and PBILDT margin falling below 1.5% on a sustained basis
- Elongation in the operating cycle above 200 days on sustained basis
- Withdrawal of partner's capital or any major borrowings leading to overall gearing above 2.00x

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the RIE will continue to benefit from its experienced promoters and well-established distribution network, despite the subdued demand from the key diamond consuming nations.

Detailed description of key rating drivers:

Key weaknesses

Thin profitability which is susceptible to volatility in the prices of rough diamonds and exchange rate fluctuations

Low value addition, inability to influence prices at both end of the value chain, susceptibility of profitability to exchange rate fluctuations impact profitability of entities like Ritesh export in the midstream segment of diamond value chain. RIE reported PBILDT margin of 3.50% in FY24 (FY23:2.52%), In line with this, PAT margin also remained low at 0.82% for FY24 (FY23:0.85%).

Inherent working capital-intensive nature of operations

The operations of RIE are working capital-intensive owing to its presence in the G&J industry. The firm majorly sources rough diamonds from secondary market. Import dependence for raw material, higher processing and large inventory holding amidst intense competition in the industry has resulted in high working capital intensity for the firm. For FY24, the working capital cycle remained high at 179 days(FY23:137 days).

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

Presence in intensely competitive CPD industry with limited value addition and bargaining power

The CPD industry is highly fragmented with presence of numerous unorganized players in addition to few large integrated jewellery manufacturers leading to high level of competition. Furthermore, the prices of rough diamonds as well as CPD are market driven and the entities in the midstream segment have a limited bargaining power on either end of the value chain owing to their limited value addition. Hence, firms in midstream segment are usually price takers rather price makers which makes their profitability margins vulnerable to market movement.

Constitution as a partnership firm

RIE being a partnership firm, is susceptible to the risk associated with the withdrawal of the capital by partners, which may affect its financial flexibility in the eventuality of occurrence of such an event. However, the net-worth base of Ritesh Export was healthy at Rs. 113.02 crores (as on March 31,2024) on a scale of Rs. 297.33 crores.

Key strengths

Experienced Partners and established track record of operation in the diamond industry

Currently promoted by Ritesh S. Shah, Mukesh K. Shah, Deepak N. Shah and Bharat K. Shah, RIE was incorporated as a partnership concern in the year 1986. The Key partners have vast experience of more than three decades in the CPD industry with strong understanding of cut and polished diamond industry and are assisted by a team of well-qualified professionals.

Established distribution network with long-term relationship with clientele

RIE has established long-term relationships with the clientele across some of the key diamond markets like Hong Kong, USA, Belgium, China and UAE. Export sales contributed ~68% of net sales in FY24. Export sales have been primarily to Hong Kong and USA. Customer concentration of RIE was moderate with top 5 customers accounting for 35%-50% of net sales during last three years ending in FY24**.**

Moderate scale of operations

TOI of Ritesh Exports moderated to Rs. 297.33 crores in FY24 (PY: 381.57 crores) mainly due to subdued demand from major consumption nations i.e. USA and China. With continued sluggish demand, the firm reported a TOI of Rs. 132.10 crores in H1FY25.

Comfortable capital Structure albeit moderate debt coverage indicators

The capital structure of Ritesh export remained comfortable below unity with overall gearing of 0.81x as on March 31,2024 (0.86x as on March 31,2023). The firm had a healthy net worth base of Rs. 113.02 crores as on March 31,2024 (Rs. 110.57 crores as on March 31,2023). However, due to thin profitability, debt coverage indicators were moderate marked by PBILDT Interest coverage of 1.24x (PY: 1.20x) in FY24.

Liquidity: Stretched

RIE's liquidity remained stretched marked by high utilisation of its fund-based limits at 91% during the last 12 months ended November 2024. The operating cycle of the firm was also elongated at 179 days in FY24 (PY: 137 days) on the back of higher collection period. In line with its operating cycle, GCA days also remained high at 254 days in FY24 (PY: 201 days).

Furthermore, debt repayments are expected to be tightly matched against its cash accrual generation. RIE had nominal free cash and bank balance of Rs. 0.86crore (PY: Rs.0.86 crore) as on March 31, 2024. Cash flow from operation was positive at Rs. 8.01 crore during FY24. Also, during current year, the firm prepaid term loan of ~Rs. 12.00 crores funded via infusion of capital by partners, easing pressure on its liquidity.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
Cut and Polished Diamonds
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

Established as a partnership firm in 1986, Ritesh Export is managed by Ritesh S. Shah, Mukesh K. Shah, Deepak N. Shah and Bharat K. Shah. Ritesh Export is engaged in the manufacturing and trading of rough diamonds and cut and polished diamonds (CPD). It processes rough diamonds ranging from majorly from 0 cents to 30 cents. Currently, the firm operates through offices in Mumbai and Surat and it mainly exports to Hong Kong, Japan, USA, Belgium and China. The firm mainly gets manufacturing done on job work basis through various factories in Mumbai and Surat. The key partners have experience of more than 30 years in the CPD industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1 FY25 (UA)
Total operating income	381.57	297.33	132.10
PBILDT	9.61	10.41	2.93
PAT	3.24	2.45	1.29
Overall gearing (times)	0.86	0.81	NA
Interest coverage (times)	1.20	1.24	0.68

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL conducted the review based on best available information and has classified the ratings of RIE as "Not Cooperating" vide its press releases dated 29-Nov-2024.
Brickworks conducted the review based on best available information and classified the ratings of RIE as "Not Cooperating" vide its press releases dated 19-Dec-2024.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	June 2028	10.29	CARE BB+; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	75.00	CARE BB+; Stable / CARE A4+
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	75.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable (26-Dec-23)	-	-
2	Fund-based - LT-Term Loan	LT	10.29	CARE BB+; Stable	-	1)CARE BB+; Stable (26-Dec-23)	-	-
3	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	-	-	-	1)CARE BB+; Stable / CARE A4+ (26-Dec-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

Annexure-5: Lender details

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

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

Contact us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Kalpesh Ramanbhai Patel Director **CARE Ratings Limited** Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in Anuja Parikh Associate Director **CARE Ratings Limited** Phone: 079-40265616 E-mail: anuja.parikh@careedge.in Ojasvi Mohta Analyst **CARE Ratings Limited** E-mail: ojasvi.mohta@careedge.in

About us:

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