Diagold Creation Private Limited

March 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	8.00	CARE BB; Stable / CARE A4	LT rating upgraded from CARE BB-; Stable and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings upgrade to the bank facilities of Diagold Creation Private Limited (DCPL) considers growth in the scale of operations coupled with sustained Gross Cash Accruals (GCA), long track record of operations, experienced management and locational advantage of the unit. The ratings continue to remain tempered by low profitability margins and working capital intensive nature of operations, small networth base and weak debt coverage indicators, its presence in highly competitive and fragmented Gems & Jewellery (G&J) industry along with geographical concentration of revenues with foreign exchange fluctuation risk and customer & supplier concentration risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations with the total operating income exceeding Rs.230 crore along with improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin on a sustained basis.
- Improvement in capital structure marked by TOL/TNW below 2 times on sustained basis.

Negative factors

- Deterioration in the capital structure with the overall gearing exceeding 2.50 times on a sustained basis
- Deterioration in the debt coverage indicators with interest coverage reaching below 2 times on a sustained basis
- Elongation in the collection period exceeding 90 days on a sustained basis
- Any un-envisaged aggressive debt-funded acquisition/capital expenditure and its impact on the financial and liquidity profile of the company

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Ltd believes that the entity will continue to benefit from its long track record in G&J industry along with established relationship with the customers.

Detailed description of key rating drivers:

Key weaknesses

Small networth base

Despite increase in net worth base of the company from Rs.7.79 crore as on March 31, 2023, to Rs.9.14 crore as on March 31, 2024, it continued to remain low which restricts the financial flexibility. However, due to increase in debt, the capital structure remained in line with the previous year marked overall gearing of 1.09x as on March 31, 2024 (vis-à-vis 1.12x as on March 31, 2023). Furthermore, coverage indicator denoted by Total Debt / GCA continued to remain high at 6.58x as on March 31, 2024 (vis-à-vis 6.57x as on March 31, 2023) owing to increase in total debt from Rs.8.69 crore in FY23 to Rs.9.92 crore in FY24 and improvement in GCA from Rs.1.32 crore in FY23 to Rs. 1.51 crore in FY24. Despite moderation led by increased interest expenses, interest coverage ratio continues to remain comfortable at 2.84x (vis-à-vis 3.23x in FY23). Going forward, the company's ability to increase networth base remains key aspect from credit perspective.

Working capital intensive nature of operations

The operations of DCPL remained working capital intensive in nature marked by GCA days of 104 days in FY24 as against 99 days in FY23, slight moderation is primarily on account of increase in receivable and inventory levels during the year. Also, the metal (Gold and Silver) is purchased against advance in a few instances. Consequently, the utilization of Export Packing Credit and Bills Discounting limit continue to be high at 83.39% in the past 12 months ending February-2025.

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

Customer & supplier concentration risk
Top five suppliers constituted around 96.26% of total raw material purchases in FY24 (vis-à-vis 94.27% in FY23) which indicates higher dependency of a select suppliers which restricts DCPL's bargaining power with them. Additionally, DCPL continues to earn 99.74% portion of revenue from top 5 customers in FY24 (vis-à-vis 98.80% in FY23). Out of the above, single customer namely Richline Group Inc. (RGI - a wholly owned subsidiary of Berkshire Hathaway) has accounted for around 95.48% of its revenue and 1.60% through RGI's group entity namely S.A. Diamond in FY24, thus indicating high customer concentration risk which limits the bargaining power of the company. Moreover, any adverse changes in the macroeconomic scenario in the exports markets could have a significant bearing on the demand for its products & liquidity of DCPL. Therefore, diversification of clientele remains key monitorable from credit perspective.

Geographical concentration and foreign exchange fluctuation risk
DCPL continues to earn significant portion (around 99%) of revenue from exports to USA, indicating geographical concentration risk. Any adverse changes in the macroeconomic scenario in the export markets could have a significant bearing on the demand for its products and liquidity of DCPL. Moreover, owing to highly export driven nature of operations, the company also exposed to foreign exchange fluctuation risk. The management has been focusing on diversifying customer profile by exporting to various countries such as France, Europe, etc. Thus, company's ability to diversify its revenue from other geographies remains key monitorable.

Presence in competitive and fragmented industry
Further owing to presence of large numbers of players operating in the gems & jewellery industry with low degree of product differentiation, the industry remained highly competitive and fragmented in nature limiting bargaining power of players of like DCPL.

Key strengths

Improvement, yet remained moderate, in scale operations; GCA level sustained in FY24
During FY24, the operating income of DCPL increased by 26.82% to Rs.165.71 crore (vis-à-vis Rs.130.66 crore in FY23) owing to increase in volume by ~19.26% and improvement in realization by ~6.18% in FY24. Furthermore, during 10MFY25 (refers to the period April 1, 2024, to January 31, 2025), the company has recorded ToI of around Rs.160.00 crore (vis-à-vis Rs.120 crore of 7MFY24) and it is expected to clock revenue in the range of Rs.175-185 crore by end of March 2025.
The PBILDT margin has slightly improved, though stood low at 1.75% in FY24 (vis-à-vis 1.68% in FY23) primarily on account of proportionate reduction in operating expenses such as consumable stores, employee cost and power & fuel cost. Furthermore, owing to increased finance cost the PAT margins declined to 0.81% in FY24 (vis-à-vis 0.90% in FY23). Additionally, on account of improvement in profit in absolute terms, the GCA of the company stood stable at Rs.1.51 crore in FY24 as against Rs.1.32 crore in FY23.

Long track record of operations with experienced promoters in the gems & jewellery industry and established relation with customers
The company has an established track record of approximately 20 years in the industry. Rajesh Doshi, the promoter, has over two decades of experience and oversees overall operations, having developed long-term relationships with customers and suppliers. Additionally, M/s. Samuel Aaron International (now part of the Richline group, step down subsidiary of Berkshire Hathway) holds a 24.48% stake in the company and brings extensive experience in the design, manufacturing, and distribution of diamond and gold jewellery.

Locational advantage of the unit
The location of DCPL's unit in SEEPZ (Santacruz Electronics Exports Processing Zone) also known as SEZ (Special Economic Zone) is eligible for exemption of customs, duty & Goods & Service Tax. However, the above is subject to 100% exports of products manufactured in that unit and no domestic sale allowed out of that zone.

Liquidity: Adequate
The liquidity position of the company continues to be adequate marked by current ratio of 1.51x as on March 31, 2024 (vis-à-vis 1.61x as on March 31, 2023). Furthermore, the company reported a gross cash accrual of Rs.1.51 crore in FY24 against nil repayment obligation during FY24 & FY25. The company has an unencumbered cash and bank balance of Rs.0.15 crore as on March 31, 2024.

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

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
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

Incorporated in 2001, Diagold Creations Private Limited (DCPL) is engaged in the business of manufacturing and export of gold and silver necklace, diamond-studded jewellery, rings, bracelets along with designer accessories of various size and shapes. The company deals mainly in 10-18 carats gold & sterling silver jewellery and earns its entire revenue from the export market majorly from USA. The company purchases gold from the Union Bank of India locally and also imports from Dubai etc. as per the requirements, quality & standards of its customers. DCPL has an installed capacity to produce 1,00,000 nos. per annum of various jewellery items as on March 31, 2024, with the manufacturing facility located at SEEPZ, Andheri (East), Mumbai.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY25(UA)
Total operating income	130.66	165.71	160.00
PBILDT	2.19	2.87	NA
PAT	1.17	1.33	NA
Overall gearing (times)	1.12	1.09	NA
Interest coverage (times)	3.23	2.84	NA

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

Status of non-cooperation with previous CRA: Not applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-EPC/PSC		-	-	-	8.00	CARE BB; Stable / CARE A4

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-EPC/PSC	LT/ST	8.00	CARE BB; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (29-Dec-23)	1)CARE BB-; Stable / CARE A4 (06-Mar-23) 2)CARE BB-; Stable / CARE A4 (05-Apr-22)	-

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/ ST-EPC/PSC	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

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About us:
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