

## Diamond TMT & Procon Private Limited

March 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	30.00	CARE BB+; Stable	Downgraded from CARE BBB-; Stable
Short Term Bank Facilities	1.00	CARE A4+	Downgraded from CARE A3

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Revision in the ratings assigned to the bank facilities of Diamond TMT & Procon Private Limited (DTPPL) is on account of declining profitability margins since last four years ended FY24 (Audited; period refers from April 01 to March 31). The ratings continue to remain constrained on account of moderate scale of operations, capital structure and debt coverage indicators along with working capital-intensive operations. Further, the ratings remain constrained with susceptibility of profitability to volatile raw material prices and DTPPL's presence in a highly competitive and cyclical steel industry.

The ratings, however, continue to derive strength from experienced management and established brand name along with strong dealership network.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improving operating margins to above 3% on a sustained basis while maintaining scale of operations.
- Improvement in Total debt to Gross cash accruals (TDGCA) to below 5 years on a sustained basis.

#### Negative factors

- Decline in scale of operations marked by total operating income (TOI) to below Rs.150 crore.
- Deterioration in capital structure marked by overall gearing to above 2x.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects that company will sustain its overall financial risk profile marked by moderate capital structure and scale of operations.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Moderate scale of operations and declining profitability margins

Scale of operations marked by TOI continues to remain moderate at Rs.225.78 crore as against Rs. 223.04 crore during FY23. DTPPL reported volume growth in FY24 over FY23 however due to declining steel prices in FY24, realisation remains low. TOI during 9MFY25 remained at Rs.163.31 crore and is expected to achieve around Rs.225-240 crore for FY25.

Profitability declined sequentially marked by PBILDT margin of 1.70% in FY24 as against 2.09% in FY23 (FY22: 2.96% and FY21: 4.19%). Further, DTPPL reported PBILDT margin of 1.41% in 9MFY25. Deterioration in margins is on account of higher raw material cost. Consequently, PAT margin also remained thin at 0.14% during FY24 as against 0.37% during FY23.

##### Moderate capital structure and debt coverage indicators

DTPPL's capital structure improved marginally however remained moderately leveraged marked by overall gearing of 1.08x as on March 31, 2024, as against 1.32x as on March 31, 2023. Improvement is on account of lower working capital utilization as on balance sheet date coupled with decline in unsecured loans. DTPPL's debt profile comprises of working capital borrowings and unsecured loans. The debt coverage metrics remained moderate marked by interest coverage ratio of 1.72x during FY24 as against 1.83x for FY23. Total debt/GCA (TDGCA) remained at 18.06 years for FY24 as compared to 17.07 years for FY23.

##### Working capital intensive nature of operations

The operating cycle of DTPPL remained moderate at 66 days in FY24 (FY23: 60 days). The marginal elongation is mainly due to decrease in creditors period from 8 days in FY23 to 1 day in FY24. The company largely procures raw material viz. ingots and billets from suppliers locally on a cash basis. DTPPL usually maintains total inventory of around 1.5 month and grants 20-25 days of credit period to its customers, thereby leading to moderate working capital requirements.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Susceptibility of margins to volatility in raw material prices

The company is susceptible to the volatility in the prices of steel for both finished goods and the raw material. The major raw material for the company is steel ingots/billets the prices of which are volatile. The company sources its raw material on requirement basis from within Gujarat at the prevailing prices. Although, the company has been able to pass on the fluctuation in raw material prices to its customers to an extent, it is still exposed to the raw material price volatility.

### Presence in a highly competitive and cyclical steel industry

TMT bars are used in various industries with construction and infrastructure industry being the largest demand segment. Thus, demand for TMT bars is largely linked to the demand in the construction and infrastructure (mainly real estate) segment which closely follows the macroeconomic cycle and thus is cyclical in nature. Further, there are large number of small and unorganized players in the TMT bars manufacturing industry. Thus, due to low value addition, presence in the lower segment of the value chain and fragmented nature of industry, the profitability of players engaged in manufacturing of TMT bars is inherently thin.

### Key strengths

#### Experienced Management

DTPPL's operations are managed by Mr. Ajay Jain who holds vast experience of more than three decades in steel industry. He has established Diamond Group of Industries engaged into ship recycling since 1990 and steel rolling mill. Mr. Ajay Jain and his son Mr. Akshay Jain has incorporated DTPPL in 2010. Mr. Akshay Jain having more than decade of experience in steel industry and they are supported through well qualified and experienced staff to support day-to-day operations of the business.

#### Established brand name and strong dealership network

The products of DTPPL are sold under the brand name 'Diamond TMT'. The brand has an established presence in the market especially in Gujarat since more than decade and is amongst the largest brand in TMT bars. The company sells its products viz. steel bars through dealers/distributors. The company has around 50 dealers/distributors in Gujarat. The customer profile of the company is moderately diversified with top 5 customers contributing to ~28% of the total revenue in FY24 and ~35% in FY23. Supplier profile also remained moderately diversified with ~62% contribution from top 5 suppliers in FY24 and ~48% in FY23.

#### Liquidity: Adequate

DTPPL's liquidity position remained adequate marked by moderate gross cash accruals, liquidity ratios along with moderate utilization of working capital limits. During FY24, DTPPL reported GCA of Rs.1.48 crore as against nil debt repayment obligation in FY25. Further average utilization of its working capital limits remained moderate at 76% during past 10 months ended January 31, 2025. Operating cycle remained moderate at 66 days during FY24 as against 60 days during FY23. Net cash flow from operations remained positive at Rs.8.68 crore during FY24 as against negative Rs.6.69 crore during FY23 on account of changes in working capital requirement. Cash and bank balance remained low at Rs.0.07 crore as on March 31, 2024, as against Rs. 0.05 crore as on March 31, 2023. Current ratio remained moderate at 1.74x as on March 31, 2024, as against 1.73x as on March 31, 2023.

### 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](#)

[Iron & Steel](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Bhavnagar (Gujarat) based DTPPL is incorporated on February 25, 2010, by Mr. Ajay Jain and his son, Mr. Akshay Jain. DTPPL has established a steel rolling mill for manufacturing Thermo-mechanically treated (TMT) bars, MS round bars, MS Flat, MS Square etc. with an installed capacity of 108000 Metric Tonnes per annum (MTPA) having application in construction and infrastructure industry. DTPPL sells its products through his brand name of "Diamond TMT". DTPPL belongs to Diamond Group of Industries which constitutes DTPPL and Diamond Industries engaged in ship breaking since 1984 managed by Mr. Ajay Jain.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (P)
Total operating income	223.04	225.78	163.31
PBILDT	4.67	3.83	2.31
PAT	0.84	0.32	NA
Overall gearing (times)	1.32	1.08	
Interest coverage (times)	1.83	1.72	1.29

A: Audited, P: Projected, NA: Not available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** CRISIL has reviewed the rating assigned to the bank facilities of DTPPL under 'Issuer Not Cooperating' category vide its press release dated August 12, 2024, on account of its inability to carry out a rating exercise in the absence of the requisite information from the company. Brickworks has reviewed the rating assigned to the bank facilities of DTPPL under 'Issuer Not Cooperating' category vide its press release dated March 21, 2024, on account of its inability to carry out a rating exercise in the absence of the requisite information from the company.

**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-Cash Credit		-	-	-	30.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	1.00	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-Cash Credit	LT	30.00	CARE BB+; Stable	-	1)CARE BBB-; Stable (05-Mar-24) 2)CARE BBB-; Stable (03-Apr-23)	-	-
2	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A4+	-	1)CARE A3 (05-Mar-24) 2)CARE A3 (03-Apr-23)	-	-

LT: Long term; ST: 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-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	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](mailto:care@careedge.in) for clarifications.

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