Evermine Diamond Private Limited

March 27, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	175.00	CARE BB; Stable / CARE A4	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings to the bank facilities of Evermine Diamond Private Limited (EDPL) are constrained by limited track record of operations, high customer concentration risk although reputed customer base, moderate capital structure and debt coverage indicators. The ratings are further constrained by EDPL's exposure to foreign exchange transactions.
The ratings however derive strength from its experienced promoter, improved profitability in 11MFY25 (refers to the period from April 01 to February 28), and moderate scale of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in profit before interest, lease rentals, depreciation and taxation (PBILDT) margins over 2.50% on a sustained basis.
- Improvement in overall gearing below unity on a sustained basis

Negative factors

- Deterioration in overall gearing over 4.00x on a sustained basis.
- Deterioration in liquidity as a result of stretched receivable on a sustained basis

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes, EDPL will continue to maintain its financial risk profile supported by experienced promoter with focus on trading and manufacturing activities in Lab-Grown Diamonds (LGD) segment coupled with presence in overseas as well as domestic market.

Detailed description of key rating drivers:

Key weaknesses

Customer concentration risk, although reputed customer base
EDPL has a diverse and reputed customer base in the LGD segment, including Unique Designs Inc. (US-based), Jewel One (CARE BBB; Stable/CARE A3), and Kiran Jewelry (CARE A; Negative/CARE A2+), among others. However, the company remains highly dependent on a few key customers, with the top five accounting for over 98% of LGD polished sales in 11MFY25 and around 97% in FY24, indicating high customer concentration. This concentration poses a risk, as any reduction in orders from these clients could impact revenue and profitability.

Leveraged capital structure with moderation witnessed in debt coverage indicators
EDPL's capital structure, though improved, remains leveraged with overall gearing at 2.61x as of February 28, 2025 compared to 3.57x as of March 31, 2024 due to high total debt of ₹255.90 crore as of February 28, 2025 (₹298.94 crore as of March 31, 2024). Total debt mainly includes working capital borrowing of ₹168 crore as of February 28, 2025.
However, debt coverage indicators have moderated, primarily due to a decline in Gross Cash Accruals (GCA) from ₹34.75 crore in FY24 to ₹17.26 crore as of February 28, 2025, leading to a decline in Total Debt/GCA from 8.60x as of March 31, 2024, to 14.83x as of February 28, 2025. The decline in GCA is attributed to lower profitability, following the company's shift away from natural rough diamond trading, which had previously contributed to higher revenue and cash generation. The interest coverage ratio also declined from 2.55x in FY24 to 2.16x in 11MFY25, on account of reduced PBILDT level in absolute terms in 11MFY25.

Susceptibility of margins to volatility in diamond prices coupled with foreign exchange fluctuation risk:

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

The company primarily engages in the export and import of diamonds, with exports accounting for about 29% of its total sales during FY24, while imports made up about 33% of its total purchases. Though it has natural hedge, EDPL's forex risk arise due to timing difference between receivables and payables in absence of formal hedging policy. Thus, the company's profitability is susceptible to adverse forex movements. Additionally, the profitability margins of EDPL are vulnerable to the prices of rough as well as cut and polished LGD, which are market-driven and, of late, volatile in nature.

Key strengths

Experienced promoters, although limited track record of operations of EDPL

EDPL is promoted by Mr. Varunkumar Babubhai Lakhani, who holds a bachelor's degree in commerce and has over 15 years of experience in the diamond industry. Mr. Varunkumar had served as a director in Grown One Tech Private Limited (CARE BBB-; Stable/ CARE A3) and has played a vital role in establishing VGrown Tech Private Limited (CARE BBB-; Stable), and both entities are engaged in rough LGD growing. Although the promoter brings significant industry expertise and business acumen, EDPL itself has a relatively limited track record of operations, with, EDPL, incorporating on March 18, 2021, and commencing its operations in May 2021. Furthermore, the strategic shift towards the LGD segment, the company's ability to sustain growth and strengthen its market position in this evolving segment remains to be seen.

Improvement in PBILDT margin, though scale declined, as a result of strategic shift in operations

EDPL is engaged in the trading and cutting and polishing of rough LGD on an order basis. Previously, the company was also involved in the trading of natural rough diamonds and cut and polished diamonds, with a small portion of revenue coming from the cutting and polishing of natural diamonds in FY24. Therefore, earlier, given the trading nature of the business, profit margins remained low marked by PBILDT margins at 1.39% in FY23 and 1.58% in FY24. However, the management has now decided to discontinue trading activities of natural diamonds. Therefore, with the company now focusing only on LGD, which offers relatively better margins. EDPL reported a PBILDT of ₹41.18 crore on a TOI of ₹741.90 crore for 11MFY25, resulting in an improved PBILDT margin of 5.55%. While the TOI is expected to stay at moderate level of Rs.700 to 900 crore due to the discontinuation of natural rough trading, the profitability margins are likely to remain at a better side with the focus on the LGD segment compared to earlier years.

Liquidity: Adequate

The company's liquidity position continues to remain adequate on the back of moderate GCA coupled with no scheduled repayments. The company reported GCA of Rs.17.26 crore for 11MFY25 as against Rs.34.75 crore in FY24. Further, EDPL has a free cash and bank balance of Rs.5.60 crore as on March 31, 2024. Moreover, the company's working capital facility utilisation primarily in the form of Working Capital Demand Loan (WCDL) remains high indicated by utilisation of around 96% for last 12 months ending February 2025. It also has availed a Overdraft bank facility against Fixed Deposit of Rs.44.50 crore. Utilisation thereof also remained high at above 90% for last 12 months ending February 2025. Furthermore, the current ratio also improved and stood moderate at 1.40x as on March 31, 2024 (PY: 1.12x).

Applicable criteria

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

About the company and industry

Industry classification

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

EDPL was incorporated on March 18, 2021, and operations commenced from May 2021. EDPL is promoted by Mr. Varunkumar Babubhai Lakhani who has completed his bachelor's in commerce and has an experience of over 15 years in diamond industry. Further, he is supported by additional director, Mr. Keyur Dabhi, who has also, over 15 years of experience in diamond industry. EDPL's primary business is trading of rough & polished LGD. And manufacturing (polishing) of rough LGD on order basis. The company has 2 polishing units. In addition to this, previously the company used to do the trading of natural rough diamonds (merchanting transactions), which have been discontinued from FY25 onwards.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	4,267.63	4,340.39	741.90

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
PBILDT	59.47	68.67	41.18
PAT	38.28	32.76	14.37
Overall gearing (times)	4.85	3.57	2.61
Interest coverage (times)	7.30	2.55	2.16

A: Audited UA: Unaudited; 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 facilities

Name of the Facility	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-Cash Credit		-	-	-	175.00	CARE BB; Stable / CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the 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-Cash Credit	LT/ST	175.00	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (06-Sep-24)	-	-	-

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-Cash Credit	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.

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About us:
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