

Suashish Diamonds Ltd

February 18, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	200.00 (increased from Rs.175.00 crore)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Total Facilities	200.00 (Rs. Two Hundred crore only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings of Suashish Diamonds Ltd's (SDL) continue to take into account the rich experience of the promoters & long-standing track record of the company, global distribution network with diversified presence across the globe, comfortable debt coverage indicators and comfortable capital structure. The above strengths are however tempered down by declining trend of sale whilst shifting business in jewellery industry, company's substantial exposure in the form of investments in its group companies which are partnership firm, customer concentration risk, forex risk.

The ability of the company to stabilize its revenues from jewellery segment, maintaining favourable financial risk profile along with sustaining healthy returns on the investments made in group companies are the key rating sensitivities

Detailed description of the key rating drivers

Key Rating Strengths:

Experienced and reputed promoters in G&J industry

Mr. Ramesh Kumar Goenka founded the Suashish Company around five decades ago. Mr. Ashish Goenka, son of Mr. Ramesh Goenka, is the Chairman & Director of SDL with an experience of over 25 years in 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.

Integrated operations of the group and global distribution network

SDL is in the business of manufacturing of diamond studded jewellery and trading of diamonds. It gets its diamonds cut & polished from the open market. Its jewellery manufacturing units are situated in Borivali and at SEEPZ, Mumbai. Besides, the company has trading and marketing offices either directly or through subsidiaries in other parts of India, China, Hong Kong and USA.

Diversified presence across the globe

SDL has diversified clientele across geographies. SDL continues to derive major share of revenue from export sales. SDL has its marketing affiliates located in key diamond centers and major markets across the world. SDL makes sales to its group companies in USA (Suashish Jewels inc), Canada (Suashish Jewel Canada Inc), UAE (I. G Enterprises) and Hong Kong (Suashish Diamonds (Hong Kong) Ltd.) etc. which in turn makes sales in their respective country.

Comfortable capital structure and debt coverage indicators

SDL uses overdraft facility secured against Debt Mutual Funds. Utilisation of the working capital facilities is low. SDL's utilization of working capital facilities remained comfortable at an average of 21.75% for 12 months ended December, 2018. Thus, the overall gearing ratio was NIL for last two years in FY17 & FY18. Though SDL has experienced a fall in GCA in FY18 Total Debt/GCA was still comfortable at 0.09x in FY18 vis-à-vis 0.01x in FY17, due to low dependence on debt. PBILDT interest coverage deteriorated but was still comfortable at 26.37x in FY18 from 41.93x in FY17. TOL to Networth is also comfortable at 0.16 in FY18 from 0.18 in FY17.

Key Rating Weaknesses:

Declining trend of sales whilst shifting business in diamond studded jewellery market

In FY18, the total operating income declined by 34.53% to Rs. 470.55 crore in FY17 compared to Rs. 718.74 crore in FY17. The decline in sales was primarily on account of lower cut and polished diamonds sales. Also going ahead the company has confirmed to fully concentrate on jewellery manufacturing as it helps in higher value addition. PBILDT levels of SDL decreased to Rs.64.16 crore in FY18 from Rs. 162.41 crore in FY17. Decrease in PBILDT levels were primarily on account of MTM loss in investments of partnership firms. Furthermore, PAT of decreased to Rs.50.89crore in

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

FY18 from Rs. 185.87 crore in FY17. On account of decrease in PAT, Gross cash accruals decreased to Rs. 58.67 crore in FY18 from Rs. 177.80 crore in FY17. In 9MFY19 the company has the total operating income of Rs. 400.00 crore.

Customer concentration risk

SDL faces customer concentration risk to certain extent. In FY18, top ten customers account for 84.20% (FY17:83.29%) of the total sales.

Suashish Jewels Inc. (USA Based Subsidiary): Total turnover of SJI, USA for FY18 was USD 71.73 Million (FY17: USD 68.04 million) and PAT of USD 0.36 million (FY17: USD 0.30 million). The trade receivables on SJI's books stood at USD 6.01 million (FY17: 5.01 million) as at March 31, 2018. The company has no debt as on March 31, 2018.

Forex Risk; albeit natural hedge exists to a large extent

SDL enjoys natural hedge by maintaining assets and liabilities in same currency i.e in USD or INR. For hedging SDL uses instruments like forward contracts and premium paid options where losses are limited to premium paid. The company's margin is susceptible to the extent of net receivables un-hedged in case of adverse foreign exchange fluctuations.

Industry Outlook

The Gems & Jewellery (G&J) industry reportedly contributes approximately 7% to India's GDP, accounts for nearly 15% of the merchandise Exports and employs over five million currently. However, the industry in India is highly fragmented with presence of numerous unorganized players apart from some very large integrated G&J manufacturers leading to high level of competition. Also the Indian G&J industry is primarily export-oriented and is characterized by working capital intensive operations and thin profitability.

Analytical approach: Standalone. CARE has adopted a standalone approach. CARE has also factored in investments made by SDL in its subsidiaries (partnership firms) and the value of investments (in debt and equity) made by these subsidiaries. The partnership firms considered are M.G. Investments (MGI), Mohinidevi Goenka Investments (MOGI) and Goenka Trading company (GTC).

Applicable Criteria

[CARE's criteria on assigning Outlook to Credit Ratings](#)

[CARE's policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Manufacturing Companies](#)

Liquidity Analysis

SDL's operating cycle has improved in FY18, to 11 days from 42 days with increase in creditor days which offsets the equivalent increase in collection period (from 110 days to 125 days), and inventory holding period (from 29 to 43 days). Monthly average utilisation of working capital limits has been comfortable at 21.75% for the past twelve months ended December 31, 2018. The company has cash & cash equivalent of Rs.0.93 crore as of FY18. Current ratio of SDL was almost stable at 1.16 times in FY18.

About the Company

Suashish Diamonds Ltd (SDL) is the flagship company of Suashish Group. SDL, incorporated in 1988, is a public limited company (delisted from Bombay Stock exchange on June 23, 2014) promoted by Mr. Ramesh Goenka. Mr. Ashish Goenka, son of Mr. Ramesh Goenka, is the Chairman & Managing Director of SDL. SDL is engaged in the manufacturing of diamond studded jewellery having presence in domestic as well as overseas market. 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, Hong Kong, Dubai, Shanghai, and Botswana.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	718.74	470.55
PBILDT	162.83	64.16
PAT	185.87	50.89
Overall gearing (times)	0.00	0.00
Interest coverage (times)	41.93	26.37

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	200.00	CARE A-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based-Long Term	LT	200.00	CARE A-; Stable	-	1)CARE A-; Stable (26-Mar-18) 2)CARE A-; Stable (21-Apr-17)	-	1)CARE A- (19-Jan-16)

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