



Press Release

Emaar Diamonds Private Limited (EDPL)

May 01, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	9.38 (Reduced from 10.39)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Total	9.38 (Rupees Nine Crore and Thirty-Eight Lakh Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings to the bank facility of EDPL continue to derive comfort from extensive experience of promoters and established track record of operations, established relationships with suppliers and customers, and combined moderate financial risk profile. The ratings are however constrained by working capital intensive operations, susceptible to regulatory changes both in India and overseas, fluctuations in diamond prices and forex rates.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and profitability.
- Improvement in working capital management.

Downward Factors

- Deterioration in debt protection metrics.
- Elongation in the operating cycle impacting the liquidity and higher average utilization in bank borrowings.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of promoters & established track record of operations:

The Mohit Group was established in 1916 as Mohanlal Raichand & Sons and has been a DBGSS Sightholder since 1949 with the sixth generation of family members currently managing the business. Mr. Anoop Vrajlal Mehta has more than 40 years of experience and his son Mr. Mohit Anoop Mehta, has joined the business in the year 2013. The company's relations with clients span across their generations.

Established relationships with suppliers & customer:

Mohit Diamonds Private Limited has been a DBGSS Sightholder since 1949. Having an established strong sourcing network ensures steady supply of quality rough diamonds of various shapes and sizes. The group has established long-term relationships with the clientele in key diamond markets viz. Hong Kong, USA, Belgium, UAE, China Australia, Israel and others, apart from the domestic market; whereby Hong Kong and UAE contributes approx. ~71% of total exports. Emaar Diamonds Private Limited trades in rough diamonds. The company buys rough diamonds from the DBGSS and Alrosa and sells them to diamond polishing companies in Mumbai (Maharashtra) and Surat (Gujarat).

Moderate financial risk profile & capital structure:

The combined total operating income of the company has increased by 19% in FY23 and stood at Rs. 561.34 Crore as compared to FY22 it was Rs.472.54 crore, on account of increase in demand in the market. The EBITDA margin was marginally impacted due to lower absorption of operating costs resulting into margin of 2.51% in FY23 as against 3.03% in FY22. The PAT margin decreased from 2.13% in FY22 to 1.98% in FY23 on account of increase in interest cost. The total debt of the company comprises of majorly working capital facilities and GECL term loans. The Long-Term Debt Equity ratio (times) on TNW stood comfortable and in similar range 0.14x as on 31 March 23 same as on 31 March 22. The overall gearing ratio stood comfortable at 0.86x as on 31 March 23 standing in similar lines from that of previous year at 0.92x as on 31 March 22. Interest Coverage ratio decreased to 1.9x as on 31 March 23 owing to higher finance cost during the year. Similarly, the DSCR stood comfortable at



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1.88x as on 31 March 23. TOL/TNW stood comfortable and in similar range at 0.99x as on 31 March 23 as against 1.02x as on 31 March 22. The combined Current Ratio stood comfortable and in similar range at 1.96x as on FY23.

Key Rating Weaknesses

Working capital intensive operations:

The working capital requirements are met through export finance limits for import and export of its products and unsecured loans. The combined operating cycle reduced to 136 days in FY23 from 153 days in FY22. The inventory fluctuates depending upon the demand and supply scenario, the company usually keeps stock of around 120 days, whereas, receives credit period from suppliers of around 10 days. To fund its working capital requirements, it is largely dependent on its working capital borrowing limits and the same has remained ~94% during the past 12 months period ended February 2024.

Susceptible to regulatory changes both in India and overseas

Diamond is an important commodity traded in the international market, so trading in diamond is highly influenced by several government policies and regulations, which changes from time to time.

Fluctuations in diamond prices and forex rates

With its revenues coming from export earnings, the company has exposure to foreign currency, exposing it to the vagaries of currency markets. However, since the company's exports are primarily backed by imports, it enjoys a natural hedge to some extent. Additionally, the company hedges its foreign currency exposure through forward contracts.

Analytical Approach: Combined Approach

For arriving at rating, Infomerics has taken combined financials of Mohit Diamonds Private Limited and Emaar Diamonds Private Limited, together referred to as "Mohit Group", based on common promoters and operational & financial linkages between the entities. Emaar Diamonds Private Limited is a wholly owned subsidiary of Mohit Diamonds Private Limited. Further, Mohit Diamonds Private Limited has provided corporate guarantee for the bank credit facilities availed by Emaar Diamonds Private Limited to its lender Bank of Baroda.



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria for Consolidation of companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on Rating Outlook](#)

Liquidity – Adequate

The combined current ratio is comfortable at 1.96x as on March 31, 2023. However, the average working capital utilization of EDPL remained on the higher side at ~94% for the past twelve months period ended March 2024 indicating a moderate liquidity buffer. The combined free cash and bank balance is at Rs. 8.86 Crore as on March 2023 indicating adequate liquidity.

About the Company

Emaar Diamonds Private Limited was set up in Mumbai in 1986 as a wholly owned subsidiary of Mohit Diamonds Private Limited (IVR BBB-/Stable IVR A3). Emaar Diamonds Private Limited trades in rough diamonds. The company buys rough diamonds from the DBGSS and Alrosa and sells them to diamond polishing companies in Mumbai (Maharashtra) and Surat (Gujarat).



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Financials (Combined):

For the year ended* As on	INR in Crore	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	472.54	561.34
EBITDA	14.30	14.07
PAT	10.19	11.31
Total Debt	117.47	119.51
Tangible Net Worth	127.98	139.35
EBITDA Margin (%)	3.03	2.51
PAT Margin (%)	2.13	1.98
Overall Gearing Ratio (x)	0.92	0.86

* Classification as per Infomerics' standards

Financials (Standalone):

For the year ended* As on	INR in Crore	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	48.19	47.68
EBITDA	2.05	2.05
PAT	1.02	1.00
Total Debt	10.16	13.96
Tangible Net Worth	10.69	11.71
EBITDA Margin (%)	4.25	4.31
PAT Margin (%)	2.09	2.06
Overall Gearing Ratio (x)	0.95	1.19

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Dated: February 06, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Dated: November 11, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Dated: September 20, 2021)
1.	Long term Fund Based Bank Facilities	Long Term	9.38	IVR BBB-/Stable	IVR BBB-/Stable	IVR BB/INC	IVR BB+/Stable

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit www.infomerics.com.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Bank Facilities – Term Loan	--	--	July 17, 2024	0.38	IVR BBB-/ Stable
Fund Based Bank Facilities – Cash Credit	--	--	Revolving	9.00	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-Maar-Diamonds-01may24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.