



Press Release

Bhanderi Lab Grown Diamonds LLP

July 02, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	36.51	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	-	Assigned	Simple
Total	36.51 (Rs. Thirty Six Crore and Fifty One Lakhs Only)				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has assigned the rating to the bank facilities of Bhanderi Lab Grown Diamonds LLP (BLGDL) based on the strength derived from the experienced promoters and long track record of operations in the diamond industry, strong support in the form of operational synergies from group entities, growing scale of operations, and comfortable capital structure and debt protection metrics. These rating strengths are partially constrained by susceptibility to volatility in raw material prices, technology driven nature of operations, increasing competition in the lab grown diamonds (LGD) space, and partnership nature of constitution of the firm.

Rating Sensitivities

Upward Factors

- Significant growth in scale of operations along with profitability on a sustained basis.
- Sustenance of working capital cycle and financial risk profile.



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Downward Factors

- Deterioration in scale of operations and profitability impacting liquidity and debt protection metrics.
- Larger than expected debt-funded capex, deteriorating capital structure and debt protection metrics.
- Substantial increase in its working capital requirements impacting cash flow from operations and liquidity of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and long track record of operations in the diamond industry

The firm is promoted by Mr. Ghanshyambhai Bhanderi and Mr. Prakashbhai Bhanderi both of whom have a cumulative experience of over 60 years in the diamond industry. The promoters understand the industry dynamics, which has helped them in procuring the right technology for manufacturing and processing of LGD and have established long standing relationships with the suppliers and customers.

Strong support in the form of operational synergies from group entities

BLGDL derives strong group support in form of operational synergies with two key group entities. It sells lab grown diamond seeds to its group entities, Janvi Gems and Unique Lab Grown. On the other hand, it procures lab grown rough biscuits from these entities. The sales to the group entities comprised 52% of the sales in FY24 (April 01, 2023 to March 31, 2024) (Provisional), whereas the purchases from them comprised 85% of the total purchases in FY24 (Provisional).

Growing scale of operations

The firm was established on 6th April 2021 and while the revenue of the firm was very modest at INR2.24 crore in FY22 (April 01, 2021 to March 31, 2022) it increased significantly to INR276.04 crore in FY23 (April 01, 2022 to March 31, 2023) and further to INR298.93 crore in FY24 (Provisional). The increase in revenue was also accompanied by increase in EBITDA,



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which increased from INR0.06 crore in FY22 to INR4.03 crore in FY23 and finally to INR8.15 crore in FY24 (Provisional). The growth in scale of operations is expected to continue at a steadily upward pace in the projected years and further significant improvement in EBITDA and EBITDA margins is expected in the projected years because of operating leverage and backward integration benefits due to the set-up of lab grown biscuits manufacturing plant. The set up of lab grown biscuits manufacturing plant will significantly reduce the dependency on group entities, Janvi Gems and Unique Lab Grown for lab grown biscuits. The new set-up is expected to be operational from July 5, 2024.

Comfortable capital structure and debt protection metrics

The firm had a total debt of INR20.07 crore on March 31, 2023, which comprised of term loans of INR7.67 crore and unsecured loans of INR12.40 crore. The net term loan exposure considering repayment increased to INR32.08 crore on March 31, 2024 while the unsecured loan exposure increased to INR31.10 crore on March 31, 2024. Capex to the tune of INR55.44 crore was incurred in FY24 (Provisional) for setting up a lab grown diamond biscuits manufacturing unit. Term loan to the tune of INR24.97 crore, and unsecured loan to the tune of INR20.63 crore (out of which INR1.93 crore was quasi equity) respectively was infused in FY24 (Provisional) to finance the capex, which led to the increase in overall debt on March 31, 2024. Even after considering the increase in term debt and unsecured loan, the overall gearing ratio on adjusted tangible net worth dipped from 8.86x on March 31, 2023 to 1.02x on March 31, 2024. That was primarily because of increase in adjusted tangible net worth from INR2.27 crore on March 31, 2023 to INR61.74 crore on March 31, 2024 due to quasi equity infusion of INR50.00 crore in FY24 (Provisional). Interest coverage ratio dipped from 4.31x in FY23 to 2.14x in FY24 (Provisional) and DSCR dipped from 4.31x in FY23 to 1.79x in FY24 (Provisional) while still remaining comfortable. Balance capex of INR9.56 crore relating to the manufacturing plant has been incurred in FY25 (April 01, 2024 to March 31, 2025) and that has been financed by bank debt to the tune of INR5.03 crore. The projections from FY25 to FY27 (April 01, 2026 to March 31, 2027) indicate a steadily reducing overall gearing ratio on adjusted tangible network because of the increased profit accretion to net worth in the projected years.

Key Rating Weaknesses



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Susceptibility to volatility in raw material prices

Lab grown rough biscuits and lab grown rough diamonds are the key raw materials for BLGDL. The cost per unit of lab grown rough biscuit dropped from INR7542 in FY23 to INR4234 in FY24 (Provisional) while the cost per unit of lab grown rough diamond dropped from INR9398 in FY23 to INR7852 in FY24 (Provisional). This clearly indicates the volatility in raw material prices, which exposes the margins of the firm to unexpected swings.

Technology driven nature of operations

The LGD segment is technology driven and capital intensive with a requirement to increase the number of reactors on a continuous basis to increase the scale of operations. The operations also need large supply of electricity. The ability to get a consistent output especially from the new reactors amidst increasing fixed costs will have to be seen. Further, the LGD segment could continue to see challenges related to constant changing technology which could lead to lower realisations leading to lower profitability over the medium term.

Increasing competition in LGD segment

With increasing concerns on environmental impact of mining of natural diamonds and sustainability, LGDs are well placed to grow in the near to medium term. USA is one of the major markets for LGDs and is expected to penetrate other geographies as well in the near to medium term. LGD requires high investment and being relatively new, segment competition is currently moderate. However, with increase in production capacity across the globe, the competition is expected to increase in LGD segment, thus resulting in moderation in average realisations for LGD in the near to medium term.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for manufacturing companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Default Recognition and Post -Default Curing Period](#)



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Liquidity – Adequate

The firm had a comfortable current ratio of 2.39x as on March 31, 2024 (Provisional). Current ratio is expected to remain between 2.50x and 3.17x during March 31, 2025 to March 31, 2027. The GCAs of each of the years between FY25 and FY27 are expected to cover the debt repayments due in the respective years. The Operating Cycle was 33 days in FY24 (Provisional). No recourse to fund based working capital limits was taken between June 2023 and May 2024. Cash and Free FD balance as on 31.03.2024 was INR2.45 crore.

About the Firm

Bhanderi Lab Grown Diamond LLP is a Limited Liability Partnership firm, incorporated on 06th April, 2021 and is associated with the Bhanderi Group. The firm is mainly engaged into processing of diamond seed, rough diamonds, and polished diamonds. In FY25, the firm is proposing to set up a manufacturing unit to manufacture lab grown diamond biscuits through which diamond seeds will be processed using Microwave plasma assisted chemical vapor deposition (MPCVD) process.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2023	31.03.2024
	Audited	Provisional
Total Operating Income	276.04	298.93
EBIDTA	4.03	8.15
PAT	1.94	2.68
Total Debt	20.07	63.18
Tangible Net Worth (Adjusted)	2.27	61.74
EBDITA Margin (%)	1.46	2.73
PAT Margin (%)	0.70	0.90
Overall Gearing Ratio (Adjusted) (x)	8.86	1.02
Interest Coverage Ratio	4.31	2.14

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:



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Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loans	Long Term	36.51	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).

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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
Term Loan 1	-	-	Sep 2030	6.51	IVR BB+/ Stable
Term Loan 2	-	-	Dec 2030	30.00	IVR BB+/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-BhanderiLab-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis: NA

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.