Rating Rationale

Priti Gems Exports Private Limited

16th January, 2018

Brickwork Ratings assigns the ratings for the bank loan facilities of Priti Gems Exports Private Limited.

Particulars

Facility Rated	Present Amount (Rs. Crs)	Tenure	Rating*
Fund Based			
PSC/PSCFC/EBRD	20.00	Long Term	**BWR BBB- (pronounced as BWR Triple B Minus) Outlook-Stable**
Post Shipment Credit	30.00		
Total	50.00	**(INR Fifty Crores Only)**	

Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rationale/Description of Key Rating Drivers/ Rating sensitivities:

In assigning the rating of **Priti Gems Exports Private Limited** (PGEPL or 'the company'), which is engaged into manufacturing of cut & polished dark brown diamonds ranging from 0.01 carat to 20 carats in round as well as other shapes like princess, oval, emerald, marquise, pears, heart, etc. BWR has taken into account the long-standing experience of the promoters, established track record of operations, moderate debt protection metrics, low gearing ratio, comfortable liquidity position and reputed customer profile. However the ratings are constrained by highly competitive nature of the industry marked by presence of large organized players as well as numerous small scale manufacturers, elongated operating cycle and Susceptibility to volatility in prices of diamond.

Key Rating Determinants

Credit Strengths

a) Long track record of operations and rich promoter experience for over 20 years in manufacturing of cut and polished dark brown diamonds.

b) Diversified product mix within dark brown diamond category as the company has been engaged in manufacturing of diamonds ranging from 0.01 carat to as high as 20 carat

c) Above average financial risk profile of the company marked by comfortable debt protection metrics and liquidity cycle reflected by ISCR of 1.81x in FY17, DSCR of 1.59x in FY17 and current ratio of 1.51 times in FY17.

d) Low gearing ratio marked by D/E (Analyzed) of 0.85 times in FY17 as against 0.97x in FY16.

Credit Weaknesses

a) Elongated operating cycle due to stretch in receivables days marked by Days receivables of 151 days in FY17 as against 144 days in FY16.

b) Susceptibility to volatility in prices of diamond and strong competition from large number of players

Going forward, the ability of the firm to meet its projected turnover and profitability shall be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **Priti Gems Exports Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored into standalone business and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Company:

Established in 1995, Priti Gems (PG) (converted into private limited company in 2010), founded by Mr. Jatin Doshi is engaged into manufacturing of cut & polished dark brown diamonds ranging from 0.01 carat to 20 carats in round as well as other shapes like princess, oval, emerald, marquise, pears, heart, etc. The company has its own manufacturing set up in Surat. PGE imports rough diamonds from Belgium and supplies to jewelry manufacturers based in Australia, Belgium, Germany, Hong Kong, Israel, Japan, Korea, Thailand, UAE, UK and USA.

Company's Financial Performance

Key Financial Parameters	FY17	FY16
Revenue from operations	Rs. 293.19 Cr	Rs. 262.83 Cr
EBIDTA	Rs. 10.55 Cr	Rs. 9.44 Cr
PAT	Rs. 3.28 Cr	Rs. 3.09 Cr
ISCR	1.81 times	1.86 times
DSCR	1.59 times	1.14 times

The tangible net worth (analyzed) of the company stood at Rs. 51.03 Crs as on 31-3-2017 and the company has achieved ~58% of the projected revenue in FY18 till November 2017.

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term /Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
1	PSC/PSCFC/EBRD	Long Term	20.00	BWR BBB- Outlook-Stable	NA	NA	NA
2	Post Shipment Credit	Long Term	30.00				
Total			50.00	(INR Fifty Crores Only)			

NA: Not Available
Status of non-cooperation with previous CRA (if applicable): Reason and comments: Not Applicable
Any other information: NIL

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies

For any other criteria obtain hyperlinks from website

Analysts	Media
Sushil Kumar Chitkara Deputy General Manager – Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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