



## Press Release

### Parin Gems

March 10, 2021

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating	Rating Action
1.	Long Term Fund Based Facility – Working Capital Term Loan	12.07	IVR B+/ Stable outlook (IVR Single B Plus with Stable outlook)	Assigned
2.	Long Term Fund Based Facility – GECL	2.55	IVR B+/ Stable outlook (IVR Single B Plus with Stable outlook)	Assigned
3.	Long Term Fund Based Facility – Cash Credit	3.55	IVR B+/ Stable outlook (IVR Single B Plus with Stable outlook)	Assigned
	<b>Total</b>	<b>18.17</b>		

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The aforesaid rating assigned to the bank facilities of Parin Gems derives strength from experienced partners and moderate financial risk profile. However, rating strength are partially offset with the susceptibility of its business operation exposed to regulatory changes both in India and overseas, modest operating margin along with the intensive competition, and fluctuations observed in diamond prices.

#### **Key Rating Sensitivities:**

#### **Upward rating factor(s):**

- Improvement in scale of operations and profitability on a sustained basis
- Improvement in debt protection metrics

#### **Downward rating factor(s)**

- Any decline in scale of operations and profitability
- Deterioration in debt protection metrics



## Press Release

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### ***Experienced Partners***

Supported by extensive experience of the partners, Parin Gems has started expanding its position in domestic and international cut and polished natural diamond market as well as in lab grown diamond market. The partners have maintained longstanding relations with customers while successfully navigating through several business cycles over the years.

##### ***Moderate financial risk profile***

The firm's financial risk profile is moderate, reflected by overall gearing ratio of 0.81x in FY20 and FY19 as against 0.84x in FY18. Debt protection metrics are moderate indicated by interest coverage ratio of 1.28x in FY20 (FY19: 1.47x) and tangible net worth at INR24.09 Crore as on 31st March, 2020.

#### **Key Rating Weaknesses**

##### ***Susceptible to regulatory changes both in India and overseas***

Trading in diamond is highly influenced by several government policies and regulations along with market dynamics, which changes from time to time. Any adverse regulatory changes and/or market dynamics can adversely impact the performance of the firm.

##### ***Modest operating margins; intense competition***

Firm's profitability is vulnerable to price movements in cut and polished diamonds as well as in lab grown diamonds. Any price decline in cut and polished diamond with rough prices remaining constant can put pressure on the firm's margins. The firm's operating margins remain modest and thin at 2.65% in FY20 and 1.57% in FY19. Additionally, stiff competition from organised and unorganised players also puts pressure on margins.

##### ***Fluctuations in Diamond Prices***

With more than 30%-40% of its revenues coming from export earnings, the firm's exposure to foreign currency has remained high over the years, exposing it to the fluctuations in currency markets.



## Press Release

### Analytical Approach & Applicable Criteria:

Standalone

Rating methodology for manufacturing companies

Financial ratios & Interpretation (Non-Financial Sector)

### Liquidity: Stretched

The firm has reported a gross cash accrual of INR0.95 Crore in FY20. Working capital cycle also stands elongated with 153 days as on March 31, 2020 (FY19: 89 days) Cash and bank balance were low at Rs.0.20 Cr as on March 31, 2020.

### About the firm:

Incorporated in 2010, Parin Gems is a partnership firm which is basically engaged in processing of cut and polished diamonds (CPD) and Lab Grown diamonds for the sizes ranging between 0.23CT to 10CT. The registered office and manufacturing facilities of the firm are located in Surat, Gujarat. The firm is promoted by three partners.

### Financials:

	(INR. Crore)	
For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	178.00	100.02
EBITDA	2.80	2.65
PAT	0.45	0.52
Total Debt	21.41	19.60
Tangible Net-worth	26.57	24.09
EBITDA Margin (%)	1.57	2.65
PAT Margin (%)	0.25	0.52
Overall Gearing Ratio (x)	0.81	0.81

\*Classification as per Infomerics standards

**Status of non-cooperation with previous CRA:** Rating migrated to non-cooperating category with India Ratings and Research at IND D (Issuer Not Cooperating) on May 27, 2020.

**Any other information:** N.A.



## Press Release

### Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Working Capital Term Loan	Long Term	12.07	IVR B+/ Stable outlook	--	--	--
2.	Long Term Fund Based Facility – GECL	Long Term	2.55	IVR B+/ Stable outlook	--	--	--
3.	Long Term Fund Based Facility – Cash Credit	Long Term	3.55	IVR B+/ Stable outlook	--	--	--
	<b>Total</b>		<b>18.17</b>				

**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](http://www.infomerics.com).

### Name and Contact Details of the Rating Team:

Name: Jayshree Purohit

Tel: (022) 62396023

Email: [jpurohit@infomerics.com](mailto:jpurohit@infomerics.com)

Name: Amit Bhuwania

Tel: (022) 62396023

Email: [abhuaniania@infomerics.com](mailto:abhuaniania@infomerics.com)

### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we



## Press Release

accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Working Capital Term Loan	NA	NA	Up to, 2027	12.07	IVR B+/ Stable outlook
Long Term Fund Based Facility – GECL	NA	NA	Up to, 2024	2.55	IVR B+/ Stable outlook
Long Term Fund Based Facility – Cash Credit	NA	NA	NA	3.55	IVR B+/ Stable outlook