



## Press Release

### Golkunda Diamonds and Jewellery Limited

February 12, 2024

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	36.73 (reduced from Rs. 39.00 crore)	IVR BBB-/ Negative (IVR triple B minus with Negative outlook)	Reaffirmed	Simple
Short Term Bank Facility	0.50	IVR A3 (IVR A three)	Reaffirmed	Simple
<b>Total</b>	<b>37.23 (INR Thirty seven crore and twenty three lakh only)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

Infomerics has reaffirmed its rating on the bank facilities of Golkunda Diamonds and Jewellery Limited (GDJL) on the back of strength from established experience of promoters in the jewellery industry and conservative capital structure and comfortable coverage indicators. These rating strengths are partially offset due to decline in topline and the profit of the company, elongated working capital cycle, susceptibility of profitability to volatility in raw material prices, high exposure to forex risk, intense competition from the highly fragmented nature of the jewellery manufacturing industry and exposure to regulatory changes.

The Negative rating outlook assigned to the long-term rating considers the YoY decline in topline and profit of the company during 9MFY24. Infomerics expects a decline in topline and profit in current fiscal vis-à-vis previous fiscal and its impact on the financial risk profile of the company will be a key monitorable going forward.



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### Key Rating Sensitivities:

#### Upward Factors

- Growth in scale of operations with improvement in profitability and gross cash accrual on a sustained basis
- Improvement in working capital management with improvement in liquidity

#### Downward Factors

- Moderation in operating income and/or profitability and cash accrual impacting the debt protection metrics on a sustained basis
- Any increase in debt levels leading to an increase in the gearing levels
- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables impacting the financial risk profile, particularly liquidity.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Established experience of promoters in the jewellery industry**

The promoters of the company are Dadha Family of Mumbai have nearly three-decade-long experience in the diamond jewellery industry. The extensive experience coupled with long track record of operations has enabled the company to forge long term relations with customers and suppliers. Infomerics believes that the experience of the management in the industry is likely to favorably impact the business risk profile of the company over the near to medium term.

- **Conservative capital structure and comfortable coverage indicators**

As on March 31, 2023, total debt of the company stood at Rs. 40.18 crore and networth was Rs. 45.42 crore, compared with total debt of Rs. 40.99 crore and networth of Rs. 36.96 crore as on March 31, 2022. The decrease in total debt as on March 31, 2023, was due to decrease in term loan. The company's capital structure ratios look moderate with long term debt equity ratio of 0.13 times as on March 31, 2023, compared with 0.20 times as on March 31, 2022. Overall gearing ratio was moderate at 0.88 times as on March 31, 2023, compared with 1.11 time as on March 31, 2022. Long term debt /GCA was low at 0.58 years in FY23, compared with 0.92 years in FY22. The debt protection parameters were comfortable in FY23 with



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interest coverage ratio of 5.87x (6.84x in FY22), total debt to GCA of 3.97x (5.14x in FY22) and DSCR of 2.80x (3.74x in FY22).

### Key Rating Weaknesses

- **Decline in topline and profit**

In FY23, topline declined to Rs. 227 crore in vis-à-vis TOI of Rs. 234.01 crore in FY22 due to decline in export sales to UAE and USA, driven by sluggish demand in these two nations. Further in 9MFY24, sales decreased by 15.41% to Rs. 149.80 crore from Rs.177.32 crore 9MFY23. Consequently, EBITDA decreased by 18.10% to Rs. 9.50 crore in 9MFY24 as compared to Rs. 11.60 crore in 9MFY23. PAT decreased by 25.86% in 9MFY24 to Rs.5.26 crore as compared to Rs. 7.09 crore in 9MFY23, due to increase in interest expense. The extent of recovery in terms of the topline and profits will be a rating sensitivity, going forward.

- **Elongated working capital cycle**

GDJL's working capital cycle elongated in FY23 compared with FY22, due to increase in collection days. The operations are working capital intensive in nature as reflected by Gross current asset days of ~137 days as on March 31, 2023, as against 128 days as on March 31, 2022 and 137 days as on March 31, 2021. The GCA days are driven by high debtor days and low creditors period. The debtor days stood at 92 days as on March 31, 2023, as against 71 days as on March 31, 2022. Since the company mostly makes payment on advance basis for its purchases it gets limited credit period from its suppliers. Thus creditors period was 25 days in FY23 compared with 21 days in FY22. The company's working capital intensity was 28% in FY23 which remained almost unchanged compared with FY22 level.

- **Susceptibility of profitability to volatility in raw material prices**

The company procures polished diamonds largely from the open market. Besides, the company procures gold from banks through gold metal loan and fixes the purchase price of gold on the date of selling gold which helps to mitigate risk of volatility in gold prices to an extent. Nevertheless, the profit margins for players in the G&J business remain susceptible to volatility in raw material prices.

- **High exposure to forex risk**



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The company derives its entire revenues from exports and imports accounted for 26% of purchases in FY23. Though the company majorly has receivables, any adverse fluctuation in foreign currency may adversely impact the company's profitability.

- **Intense competition from the highly fragmented market**

The gems and jewellery (G&J) industry in India is highly fragmented with the presence of numerous unorganized players in addition to the large integrated G&J manufacturers leading to a high level of competition. The export-oriented G&J industry is susceptible to various guidelines by Government of India, change in taxation structure, impacting the industry.

- **Susceptible to regulatory changes**

As the company is into 100% exports, changes in economies or government policies of the countries to which the company is exporting and India may affect the operations and thereby revenue generation of the company.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

**Liquidity – Adequate**

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. Further, absence of any debt funded capex provides further comfort to the liquidity position.

**About the company**

Located out of Maharashtra, Golkunda Diamonds and Jewellery Limited is a BSE listed company, engaged in the manufacturing of diamond studded gold jewelleryes from India and exporting to customers across the world. The company is managed by Dadha & family having long experienced in the jewellery business. Out of its manufacturing facilities located in SEEPZ



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(Special Economic Zone) the company has the capacity to produce more than 500 pieces a day. Revenue of the company is entirely generated from international markets like UAE, Saudi Arabia, Qatar, Kuwait and USA.

### Financials (Standalone):

For the year ended* / As on	(Rs. Crore)			
	31-March-22 (Audited)	31-March-23 (Audited)	9MFY23 (Unaudited)	9MFY24 (Unaudited)
Total Operating Income	238.06	233.44	177.32	149.80
EBITDA	12.40	15.30	11.60	9.50
PAT	7.37	9.43	7.09	5.26
Total Debt	40.99	40.18	-	-
Tangible Net-worth (Book TNW)	36.96	45.42	-	-
EBITDA Margin (%)	5.21	6.56	6.54	6.34
PAT Margin (%)	3.09	4.03	3.99	3.50
Overall Gearing Ratio (x)	1.11	0.88	-	-

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** As per PR dated July 24, 2023, India Ratings continued to keep the ratings in the non-cooperating category due to non-cooperation from the client.

As per PR dated July 27, 2023, Brickwork Ratings continued to keep the ratings in the non-cooperating category due to non-cooperation from the client.

**Any other information: Nil**



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) Rating(s) assigned 2022-23	& in	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	
					(Nov 9, 2023)	(Feb 13, 2023)	(Jan 11, 2023)	-	-
1.	Export Packing Credit Limit/ Packing Credit in Foreign Currency Limit	Long term	15.00	IVR BBB-/ Negative	IVR BBB-/ Negative	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2.	Post Shipment credit Limit/ Export Bill Rediscounting Limit	Long Term	20.00	IVR BBB-/ Negative	IVR BBB-/ Negative	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
3.	GECL	Long Term	1.73	IVR BBB-/ Negative	IVR BBB-/ Negative	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
4.	Credit Exposure Limit	Short Term	0.50	IVR A3	IVR A3	IVR A3	-	-	-

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

Name: Mr. Sandeep Khaitan  
 Tel: 033-4803 3621  
 Email: [sandeep.khaitan@infomerics.com](mailto:sandeep.khaitan@infomerics.com)

### About Infomerics Ratings:

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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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](http://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
Export Packing Credit Limit/ Packing Credit in Foreign Currency Limit	-	-	-	15.00	IVR BBB-/ Negative
Post Shipment credit Limit/ Export Bill Rediscounting Limit	-	-	-	20.00	IVR BBB-/ Negative
GECL	-	-	FY25	1.73	IVR BBB-/ Negative



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Credit Exposure Limit	-	-	-	0.50	IVR A3
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**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Golkunda-Diamonds-feb24.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](http://www.infomerics.com)