

August 16, 2010

**CARE ASSIGNS 'PR3' RATING TO THE SHORT-TERM BANK FACILITIES OF SUMIT DIAMOND (INDIA) PVT LTD.**

**Rating Assigned**

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Short-term Bank Facilities	49.50	'PR3' [ PR Three]	Assigned

**Rating Rationale**

The rating is strengthened by the vast experience of SDIPL's promoters in the diamond business, considerable marketing, sales and working capital support from the flagship company Sumit Diamond Corporation (SDC), low working capital utilisation, insured receivables through ECGC cover, satisfactory gearing & liquidity position and improvement in the global economic scenario.

The rating is constrained by the small scale of operations, continuous decline in profitability margins, and unsatisfactory performance during FY10 despite the revival in global demand, concentration of sales to a select few countries, exposure to exchange rate fluctuations, elongating working capital cycle and strong competition from a large number of players in the organized and unorganized sectors.

Moreover, the ability of SDIPL to ensure profitable operations and continuing support from SDC are the key rating sensitivities.

**Company Profile**

SDIPL, initially incorporated as Sevantilal Brother's Pvt. Ltd in 1976, was renamed as Sumit Diamond (India) Pvt. Ltd. in 2004. The company is a part of the 70-year old Sevantilal Brothers Group. After the family separation in 2004, the company has been managed by Mr. Sumit Javeri.

SDIPL is engaged in the manufacturing and trading of cut and polished diamonds, of which around 70% is exported, (mainly to group company SDC, New York).

On a total income of Rs.73.69 crore, SDIPL earned a PBDIT and PAT of Rs.2.73 crore and Rs. 0.68 crore respectively in FY09.

As per provisional results of FY10, SDIPL has achieved total income of Rs.72.35 crore with PBDIT and PAT of Rs.2.14 crore and Rs.0.96 crore respectively.

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<sup>1</sup> "Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications"

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