

September 23, 2025

Star Rays: Ratings placed on Watch with Negative Implications

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/short-term – Fund based – Working capital limits	205.00	205.00	[ICRA]BBB+ / [ICRA]A2; placed on Rating Watch with Negative Implications
Total	205.00	205.00	

*Instrument details are provided in Annexure I

Rationale

ICRA has placed the ratings of [ICRA]BBB+ and [ICRA]A2 outstanding on the bank facilities of Star Rays on Watch with Negative Implications given the expected negative impact of the elevated US tariffs on its business and thus, the credit profile.

Star Rays derives around 32% of its consolidated revenues from the US market, like the Indian cut and polished diamond (CPD) entities. India's CPD exporters have been navigating a turbulent trade environment, following the high level of tariffs imposed by the US. The latest round of US tariffs, effective August 27, 2025, has added a punitive 25% duty on select Indian goods, significantly increasing the overall tariff burden on Indian CPD exporters to 50%. This is expected to exacerbate the demand pressure in the CPD industry, which has been grappling with increasing competition from lab-grown diamonds (LGD) and softening discretionary spending in the US, a key consuming nation for the CPD sector.

According to the management, Star Rays has been actively negotiating with its clients to pass on the increased tariff costs. The firm is also recalibrating its supply chain to minimise the impact. The firm is also exploring new geographies and increasing its focus on the non-US regions such as Hong Kong and domestic market to offset the possible demand reduction from the US, as evident in the reduction in the contribution from the US market to 14% in 5M FY2026. ICRA draws comfort from the firm's adequate liquidity position, supported by cushion in the form of undrawn working capital limits to the tune of Rs. 89 crore as on July 31, 2025, as against modest scheduled debt repayment obligation of Rs. 3.7 crore for FY2026.

ICRA will continue to monitor the evolving trade scenario, Star Rays' ability to adapt its business model to the punitive tariff regime, and its implications on its credit profile.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivity and Key financial indicators: [Click here](#)

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Cut & Polished Diamonds
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of the firm. Refer to the Annexure II for the list of entities considered for consolidation.

About the company

Star Rays, incorporated in 1980 as a partnership firm by Mr. Rajendrakumar Shah and Mr. Dilip Mehta, commenced manufacturing of polished diamonds in 1981. Mr. Ramesh Shah and Mr. Jitendra Shah joined the firm in 1985 to help the business grow further. Over the years, it has developed its core competence in the manufacturing of high-value diamonds, ranging from 30 cents to 10 carats. The firm procures rough diamonds from primary sources (miners like De Beers, Dominion Diamond and Alrosa, among others) and from the secondary markets in Belgium and Israel, before selling polished diamonds in over 25 countries, including the domestic market. The firm's headquarters and manufacturing facilities are in Surat, Gujarat.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current ratings (FY2026)				Chronology of rating history for the past 3 years							
Instrument	Type	Amount rated (Rs. crore)	Sep 23, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-Based – Working Capital Limits	Long term/ Short term	205.00	[ICRA]BBB+ / [ICRA]A2; Rating Watch with Negative Implications	May 27, 2025	[ICRA]BBB+ (Stable) / [ICRA]A2	-	-	Feb 26, 2024	[ICRA]A- (Stable)/ [ICRA]A2+	Mar 02, 2023	[ICRA]A- (Stable)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/Short-term – Fund-Based – Working Capital Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](https://www.icra.in)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-Based – Working Capital Limits	-	-	-	205.00	[ICRA]BBB+ / [ICRA]A2; Rating Watch with Negative Implications

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Star Rays	Rated entity (Parent entity)	Full Consolidation
Star Rays Diamonds India Private Limited	Wholly-owned subsidiary	Full Consolidation
Star Solitaire INC	Wholly-owned subsidiary	Full Consolidation
S R Solitaire DMCC	Step-down subsidiary	Full Consolidation
Star Rays Diamond HK Limited	Step-down subsidiary	Full Consolidation
Star Rays Diamonds Botswana Pty Limited	Step-down subsidiary	Full Consolidation
Star Rays Diamonds Namibia Pty Limited	Step-down subsidiary	Full Consolidation

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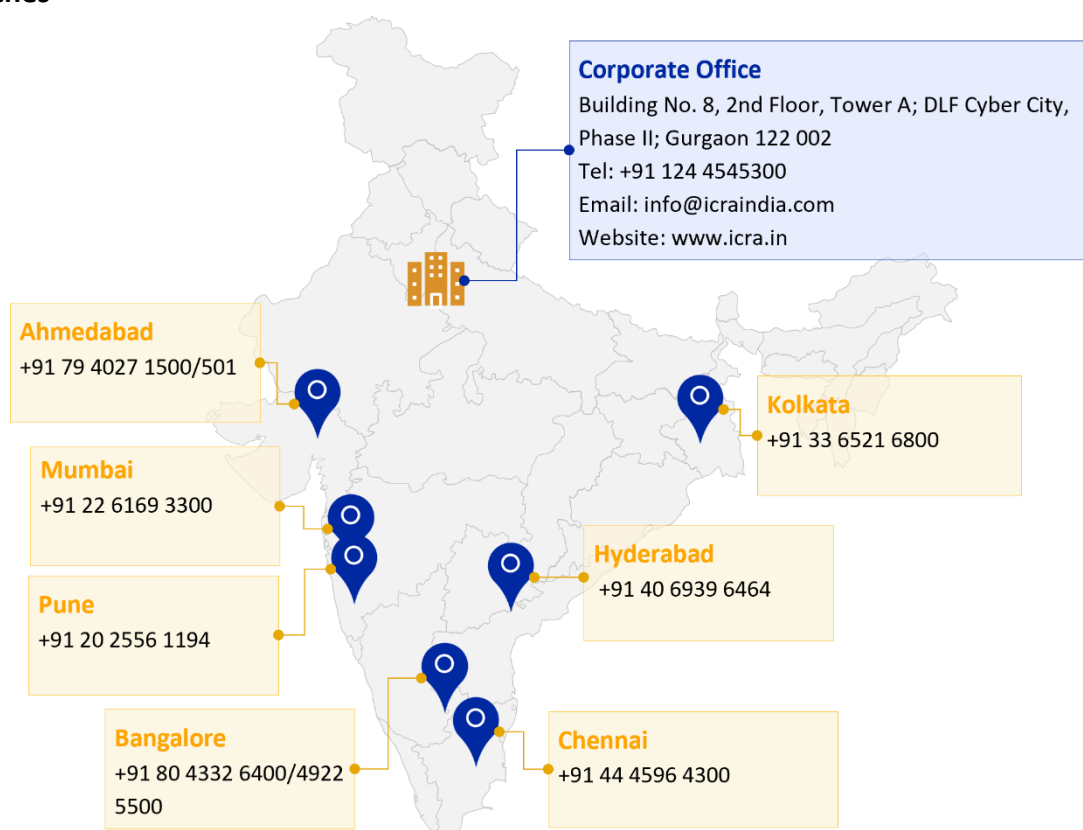
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