

September 23, 2025

Dharmanandan Diamonds Private Limited: 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 limits	1,490.00	1,490.00	[ICRA]A-; placed on rating watch with negative implications / [ICRA]A2+; placed on rating watch with negative implications
Long-term/ Short -term – Unallocated Limits	135.00	135.00	[ICRA]A-; placed on rating watch with negative implications / [ICRA]A2+; placed on rating watch with negative implications
Total	1,625.00	1,625.00	

*Instrument details are provided in Annexure I

Rationale

The ratings assigned to Dharmanandan Diamonds Private Limited (DDPL) have been placed on watch with negative implications, given the expected negative impact of the elevated US tariffs on its business and, consequently, its credit profile. DDPL derives around 30-35% of its consolidated revenues from the US market, typical of 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 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 demand pressures in the CPD industry, which has already been grappling with rising competition from lab-grown diamonds (LGD) and softening discretionary spending in the US, a key consuming nation for CPDs.

According to the management, DDPL has been actively negotiating with its clients to pass on the increased tariff costs. The company is also recalibrating its supply chain to minimise the impact, while increasing its focus on non-US regions such as Hong Kong, the UAE, and India to offset the possible demand reduction from the US, as evident in the reduction in the contribution from the US market to 21% in 5M FY2026. Nonetheless, DDPL reported 9% YoY growth in sales in 5M FY2026, despite reduction in sales to the US. ICRA will continue to monitor the evolving trade scenario, DDPL's ability to adapt its business model to the punitive tariff regimes, and its implications on its credit profile.

The ratings favourably factor in the extensive experience of DDPL's promoters in the Indian CPD industry, its established customer relationships, and its position as one of the leading players in the Indian polished diamond industry. Apart from being a De Beers sightholder, the company enjoys direct supply of rough diamonds from other leading global mining companies, ensuring a steady supply of roughs. The ratings also factor in DDPL's established distribution network in key consuming markets, along with its growing presence in e-commerce and mobile-based application platforms, which provide easy access to the global market. ICRA also draws comfort from DDPL's adequate liquidity position, reflected in cash and liquid investments, supported by a cushion in the form of undrawn working capital limits of Rs. 191 crore as on July 31, 2025.

The ratings remain constrained by the company's high reliance on debt due to the working capital-intensive nature of operations, led by large inventory holdings. This, coupled with a decline in revenues in FY2025, moderated debt coverage indicators. DDPL also remains exposed to adverse fluctuations in polished diamond prices and faces stiff competition from both unorganised and organised players. The company's profitability also remains susceptible to foreign exchange fluctuation

risks due to its export-dominated revenue profile, although the risk is partly mitigated by a natural hedge through rough diamond imports and the use of forward contracts.

Key rating drivers and their description

Credit strengths

One of the leading CPD exporters from India with a good market standing; well-established distribution network - DDPL, the flagship company of the Dharmanandan Group, has established itself as one of the leading exporters of CPDs from India. Initially focused on CPD processing, the company has gradually integrated into diamond-studded jewellery manufacturing, though the contribution from this segment remains modest at present. The company is one of the leading players in the industry and generated Rs. 4,080 crore collectively from its CPD and jewellery divisions in FY2025. DDPL has a strong global distribution network through its group entities in Hong Kong, the US, and Belgium, and has expanded its e-commerce presence through an online portal launched in 2009.

Sightholder status with De Beers and sourcing arrangement with miners ensure steady supply of roughs at competitive rates - The CPD industry depends heavily on global miners such as De Beers, etc., for sourcing rough diamonds. However, only a few entities across the globe have direct access to the rough supply due to the stringent qualification requirements of the miners. DDPL features among these top global entities and is a sightholder with De Beers. This lends competitiveness to the company's operations with a steady supply of quality roughs at competitive prices.

Large network base, adequate liquidity position – While debt coverage indicators moderated in FY2025, the capital structure of the company remained comfortable with a gearing of 0.9 times, marked by its large net-worth base of Rs. 1,579 crore. DDPL's liquidity position remains adequate, supported by free cash and bank balance of Rs. 38 crore as on March 31, 2025 and a cushion available in the form of undrawn working capital limits of 34% of the sanctioned limits as on August 31, 2025 as against modest debt repayment obligations and limited capex requirements.

Credit challenges

Moderated financial profile amid subdued demand conditions - DDPL's performance remained impacted in FY2025 due to considerable decline in revenues on the back of global demand slowdown amid inflationary pressures and increasing competition from LGDs. This, coupled with elevated debt levels due to high working capital intensity of operations on account of large inventory holding, moderated the coverage indicators in FY2025. The interest cover was 2.3 times in FY2025 as against 2.6 times in FY2024. With the latest round of US tariffs significantly increasing the overall tariff burden, demand pressures are further expected to worsen in the CPD industry as the US is a key consuming nation of CPDs. While the company has implemented various strategic steps such as focussing on sales to non-US regions to minimise the impact of demand uncertainty in US, ICRA will continue to monitor the evolving trade scenario. If the punitive tariff regime persists and DDPL is unable to adapt its business model swiftly, ICRA will reassess the assigned rating. Besides, the inventory levels continue to be high, though fresh purchases are mostly backed by confirmed orders. ICRA also notes promoter support through unsecured loans, which has reduced dependence on external debt. Nonetheless, given pressures on revenues and margins, debt coverage indicators are expected to remain subdued.

High working capital intensity of operations - The company's working capital intensity, as reflected in the net working capital vis-à-vis the operating income (NWC/OI), remained high in FY2025, primarily due to elevated inventory levels amid subdued demand. ICRA notes that the receivables cycle also remained stretched, with receivables of about 4% pending for over 180 days, largely from one customer, as on August 31, 2025. Going forward, timely recovery of receivables and liquidation of inventory be critical from the credit perspective and will remain a key monitorable.

Industry characterised by intense competition; revenues and profitability remain exposed to fluctuations in forex and rough diamond prices - The diamond industry is fragmented with low value addition and intense competition. DDPL faces intense competition from unorganised players as well as from a few established organised players, which limits its pricing power. However, the company's established presence in the industry for over three decades and its diverse product offerings helped develop healthy business relationships with customers and suppliers. Besides, 80-90% of DDPL's revenues are denominated in foreign currency (primarily US dollar). Hence, the company is exposed to adverse fluctuations in currency markets. However, a natural hedge from the import of rough diamonds, packing credit in foreign currency and forward contracts provide protection against foreign exchange rate fluctuations to an extent.

Liquidity position: Adequate

DDPL's liquidity position remains adequate, supported by free cash and bank balance of Rs. 38 crore as on March 31, 2025 and a cushion available in the form of undrawn working capital limits of 34% of the sanctioned limits as on August 31, 2025. The company's debt profile, like most CPD and jewellery entities, is short term in nature for meeting its working capital requirements. DDPL has scheduled debt repayments of Rs. 5.6 crore in FY2026 and Rs. 1.6 crore in FY2027. Further, expected steady fund flow from operations in FY2026 would continue to support its liquidity position. Besides, DDPL does not envisage any major debt-funded capital expenditure (capex) over the near to medium term. The capex is estimated at Rs. 10-20 crore per annum over the next 2-3 years, which will be funded through internal accruals.

Rating sensitivities

Positive factors – The ratings may be upgraded, if there is a sustained increase in the scale of operations and profitability, resulting in an improvement in DDPL's credit metrics and liquidity position.

Negative factors – Pressure on DDPL's ratings could arise if there is a decline in its earnings or a stretch in the working capital cycle, resulting in a deterioration in its financial profile and/or the liquidity position. Specific credit metric that could lead to ratings downgrade includes total outside liabilities vis-à-vis tangible network remaining above 1.5 times on a sustained basis

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Cut & Polished Diamonds
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

About the company

DDPL is a leading Indian diamond manufacturing company, headquartered in Mumbai, Maharashtra, with manufacturing facilities in Surat, Gujarat. DDPL mainly cuts and polishes quality diamonds and sells to retailers and jewellers across the globe, either directly or through its Group entities. The company manufactures diamonds in various shapes and sizes, ranging from

0.3 carat to 50 carat and above and distributes its products through its associate companies in Hong Kong, the US and Belgium. Consumers can also buy diamonds and jewellery online through DDPL's website.

Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	5,052.1	4,080.5
PAT	102.6	60.2
OPBDIT/OI	4.9%	4.4%
PAT/OI	2.0%	1.5%
Total outside liabilities/Tangible net worth (times)	1.5	1.0
Total debt/OPBDIT (times)	6.3	7.6
Interest coverage (times)	2.6	2.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 23, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based Limits	Long-term/ Short-term	1,490.00	[ICRA]A-; rating watch with negative implications / [ICRA]A2+; rating watch with negative implications	Sep 30, 2024	[ICRA]A-(Stable)/[ICRA]A2+	Sep 26, 2023	[ICRA]A-(Stable)/[ICRA]A2+	Jul 04, 2022	[ICRA]A-(Stable)/[ICRA]A2+
Unallocated Limits	Long-term/ Short-term	135.00	[ICRA]A-; rating watch with negative implications / [ICRA]A2+; rating watch with negative implications	Sep 30, 2024	[ICRA]A-(Stable)/[ICRA]A2+	Sep 26, 2023	[ICRA]A-(Stable)/[ICRA]A2+	Jul 04, 2022	[ICRA]A-(Stable)/[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/ Short-term – Fund-based Limits	Simple
Long-term/ Short-term – Unallocated Limits	Not Applicable

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](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based Limits	-	-	-	1,490.00	[ICRA]A-; rating watch with negative implications / [ICRA]A2+; rating watch with negative implications
NA	Unallocated Limits	-	-	-	135.00	[ICRA]A-; rating watch with negative implications / [ICRA]A2+; rating watch with negative implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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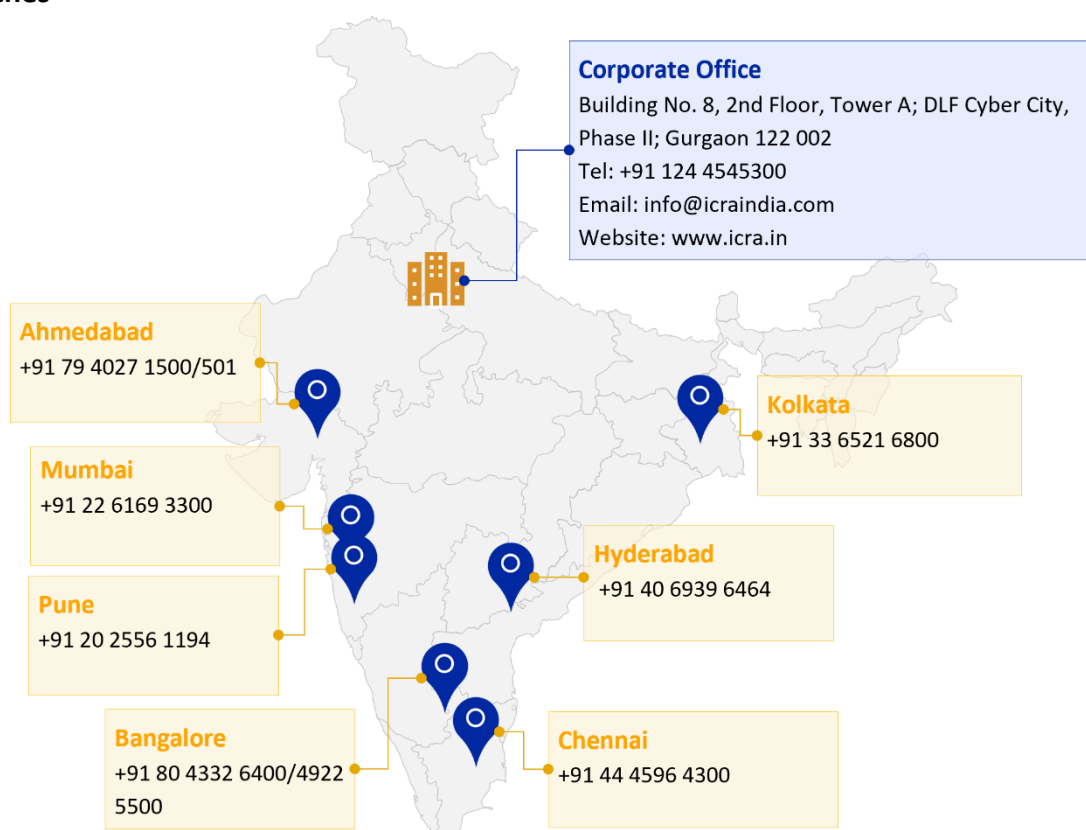
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