

August 10, 2026

Sanghvi & Sons: Long-term rating downgraded; short-term rating reaffirmed; ratings removed from rating watch with Negative Implications; Stable outlook assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator [#]
Long term – Fund Based – Term Loan	-	5.00	[ICRA]BB (Stable); rating downgraded from [ICRA]BB+; ratings removed from rating watch with Negative Implications; Stable outlook assigned	RBI
Long term/ Short term - Fund Based – Working capital facilities	70.00	22.45	[ICRA]BB (Stable)/[ICRA]A4+; Long-term rating downgraded from [ICRA]BB+; short-term rating reaffirmed; ratings removed from rating watch with Negative Implications; Stable outlook assigned	RBI
Long term/ Short term – Unallocated	-	42.55	[ICRA]BB (Stable)/ [ICRA]A4+; Long-term rating downgraded from [ICRA]BB+; short-term rating reaffirmed; ratings removed from rating watch with Negative implications; Stable outlook assigned	RBI
Total	70.00	70.00		

*Instrument details are provided in Annexure I

[#]SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The downgrade in the long-term rating of the bank facilities of Sanghvi & Sons (SS) factor in the significant impact due to the US tariffs and subdued demand for natural cut and polished diamonds (CPDs) industry in the domestic market. The firm's operating income declined sharply by around 66% to Rs. 89.6 crore in FY2026 (provisional) from Rs. 261.9 crore in FY2025 due to around 75% decline in sales volumes amid weak demand conditions in the natural diamond industry. This is due to increasing acceptance of lab-grown diamonds and disruptions caused by elevated US tariffs during the year. Consequently, the firm's exposure to the US market reduced significantly to 0.6% of revenues in FY2026 from 20.3% in FY2025.

The ratings are further constrained by the working capital-intensive nature of operations, characterised by elevated inventory holding and receivable levels following the firm's increased focus on larger-sized diamonds. The firm's profitability remains modest and on a declining trend, reflecting the low value-additive nature of the business and weak industry conditions. Profitability also remains exposed to foreign exchange fluctuations, given its import dependence, although the risk is partly mitigated by export revenues. Further, the firm's sanctioned working capital facilities declined to Rs. 22.5 crore as of June 2026 from Rs. 70 crore in FY2024, in line with the reduced scale of operations. The ratings also remain constrained by intense competition from organised as well as unorganised players, which limits pricing flexibility. The ratings continue to factor in the risks associated with the partnership nature of the constitution, wherein any sizeable capital withdrawal can weaken the firm's capital structure and liquidity profile. The firm reported a net capital withdrawal of Rs. 30.6 crore during FY2026, resulting in a decline in net worth to Rs. 62.5 crore as on March 31, 2026 from Rs. 92.2 crore a year earlier.

The ratings, however, continue to derive comfort from the extensive experience of the partners, the firm's established presence in the CPD industry for over four decades, and its extensive relationships with customers and suppliers. The ratings also consider the firm's low dependence on external working capital borrowings and the adequate liquidity cushion available through unutilised working capital facilities.

The Stable outlook on the long-term rating reflects ICRA's opinion that SS will continue to maintain comfortable credit profile supported by minimum reliance on external debt and steady operating profit margins, led by long-term relationships with its customers and suppliers.

Key rating drivers and their description

Credit strengths

Extensive experience of partners in the industry – SS is engaged in the manufacturing and trading of CPDs, with a focus on large-sized diamonds above 3 carats across various shapes, sizes and colours. At present, the firm is currently managed by Mr. Mohanlal Sanghvi, Mr. Roshan Sanghvi and Mr. Dhanesh Sanghvi, who possess over three decades of collective experience in the diamond industry. Their extensive industry knowledge and established presence in the sector have supported the firm's business development and customer relationships over the years.

Long-term relationships with customers and suppliers – The firm enjoys long-standing relationships with a diversified customer base comprising traders and jewellery manufacturers across domestic and international markets. Customer concentration remains moderate, with the top 10 customers accounting for 47-48% of revenues over the last two years. Exposure to the US market declined sharply to 0.6% of revenues in FY2026 from 20.3% in FY2025 amid elevated US tariffs and weak demand conditions. Nevertheless, the firm maintains a presence across key export markets such as Belgium, Hong Kong and the UAE. Following the removal of the elevated US tariffs, the firm intends to increase its focus on the US market in FY2027 while continuing to diversify its presence across other export geographies, while improving its domestic presence. On the procurement side, SS benefits from established relationships with diamond auction houses, tender houses and wholesalers, which support uninterrupted sourcing of rough diamonds.

Credit challenges

Declining revenue and earnings due to demand headwinds faced by CPD industry – The CPD industry continues to face demand pressures arising from weak consumer sentiment in key consuming markets, increasing acceptance of lab-grown diamonds and prolonged weakness across major global markets. Consequently, the firm's operating income declined sharply by around 66% in FY2026, following around 15% decline in FY2025, resulting in moderation in earnings and debt protection metrics. The decline was also driven by elevated US tariffs during FY2026 and weak demand conditions across export markets. Given the challenging industry environment, revenues are expected to remain under pressure in FY2027, while profitability is likely to remain range-bound amid subdued realisations and limited volume growth.

Moderate financial profile; working capital intensive nature of operations – The firm's operations remain working capital intensive, reflected in the elevated inventory and receivable levels. Inventory holding increased significantly to 321 days in FY2026 from 89 days in FY2025, owing to the firm's increased focus on larger-sized diamonds, which entail longer holding periods and relatively slower conversion cycles. Further, debtor days increased to 74 days from 30 days in the previous year, reflecting slower realisations and extended credit support provided to customers to sustain business volumes. The impact was partly moderated by higher creditor levels, with creditor days increasing to 112 days in FY2026 from three days in FY2025. The firm generally extends credit of up to 120 days to customers and receives credit of 90-120 days from suppliers. The firm's credit profile remains moderate, as reflected in an interest coverage ratio of 2.1 times and total debt/OPBITDA of 14.2 times as on March 31, 2026. The debt coverage indicators are expected to remain stretched in the near term, considering the higher utilisation of working capital facilities and addition of fresh term debt.

Exposure to foreign exchange fluctuations; risks associated with partnership nature of business – As a net importer, the firm remains exposed to adverse movements in foreign exchange rates. While the risk is partially mitigated through export of polished diamonds, the firm does not follow a formal hedging policy. The ratings also factor in the risks associated with the partnership nature of the constitution, wherein substantial capital withdrawals by partners may weaken the firm's net worth, liquidity and capital structure. The firm reported net capital withdrawals during FY2026, which resulted in moderation in its net worth position. Any significant withdrawal may lead to funding gaps and increase dependence on external borrowings, adversely impacting the capital structure.

Liquidity position: Adequate

The firm's liquidity position is adequate, supported by the headroom available in the form of undrawn working capital limits of Rs. 6.5 crore having average utilisation of 27% in the last twelve-month period as of June 2026. The firm has cash and bank balance of around Rs. 1.9 crore as on March 31, 2026. The company has repayment obligations of Rs. 1-2 crore each in FY2027 and FY2028, which are expected to be comfortably met through internal cash generation despite weak cash flow generation from business. The firm does not have any major capex plan. Any major capital withdrawals may put pressure on financial flexibility of the firm.

Rating sensitivities

Positive factors – ICRA could upgrade SS' ratings if there is a sustained improvement in its revenues and earnings, while maintaining healthy debt protection metrics and comfortable liquidity position.

Negative factors – Pressure on SS' ratings could arise if sharp decline in revenues and / or earnings or a stretch in the working capital cycle weakens the liquidity profile. Any large capital withdrawal, adversely impacting on the firm's financial profile, could also be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Cut & Polished Diamonds
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Sanghvi & Sons (SS) was established as a partnership firm in 1981 by Mr. Tarachand Sanghvi and Mr. Mohanlal Sanghvi. The firm is engaged in the manufacturing and trading of cut and polished diamonds (CPDs), with a primary focus on large-sized diamonds of 3 carats and above. Its product portfolio comprises diamonds across various shapes, sizes and colours, catering to both domestic and international markets. The firm markets its products through traders, marketing alliances and its online platform. SS operates manufacturing facilities in Surat and Navsari, Gujarat, while its corporate and marketing offices are in Mumbai, Maharashtra.

Key financial indicators

Standalone	FY2025	FY2026*
Operating income	262.0	89.6
PAT	1.8	0.9
OPBDIT/OI	1.4%	1.8%
PAT/OI	0.7%	1.0%
Total outside liabilities/Tangible net worth (times)	0.1	0.7
Total debt/OPBDIT (times)	2.8	14.2
Interest coverage (times)	1.4	2.1

Source: Company, ICRA Research; * Provisional numbers; 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 rating (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Aug 10, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Fund based – working capital facilities	Long term/ Short term	22.45	[ICRA]BB (Stable)/ [ICRA]A4+	Sep 19, 2025	[ICRA]BB+; Rating Watch with Negative Implications/ [ICRA]A4+; Rating Watch with Negative Implications	Nov 04, 2024	[ICRA]BB+ (Stable)/ [ICRA]A4+	Mar 18, 2024	[ICRA]BB+ (Stable)/ [ICRA]A4+
Term Loan	Long term	5.00	[ICRA]BB (Stable)	-	-	-	-	-	-
Unallocated	Long term/ Short term	42.55	[ICRA]BB (Stable)/ [ICRA]A4+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund Based – Term Loan	Simple
Long term/ Short term - Fund Based – Working capital facilities	Simple
Long term/ Short term – Unallocated	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	Financial Sector Regulator [#]
NA	Term Loan	Dec 2025	7.90%	FY2031	5.00	[ICRA]BB (Stable)	RBI
NA	working capital facilities	NA	NA	NA	22.45	[ICRA]BB (Stable)/ [ICRA]A4+	RBI
NA	Unallocated	NA	NA	NA	42.55	[ICRA]BB (Stable)/ [ICRA]A4+	RBI

Source: Company

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

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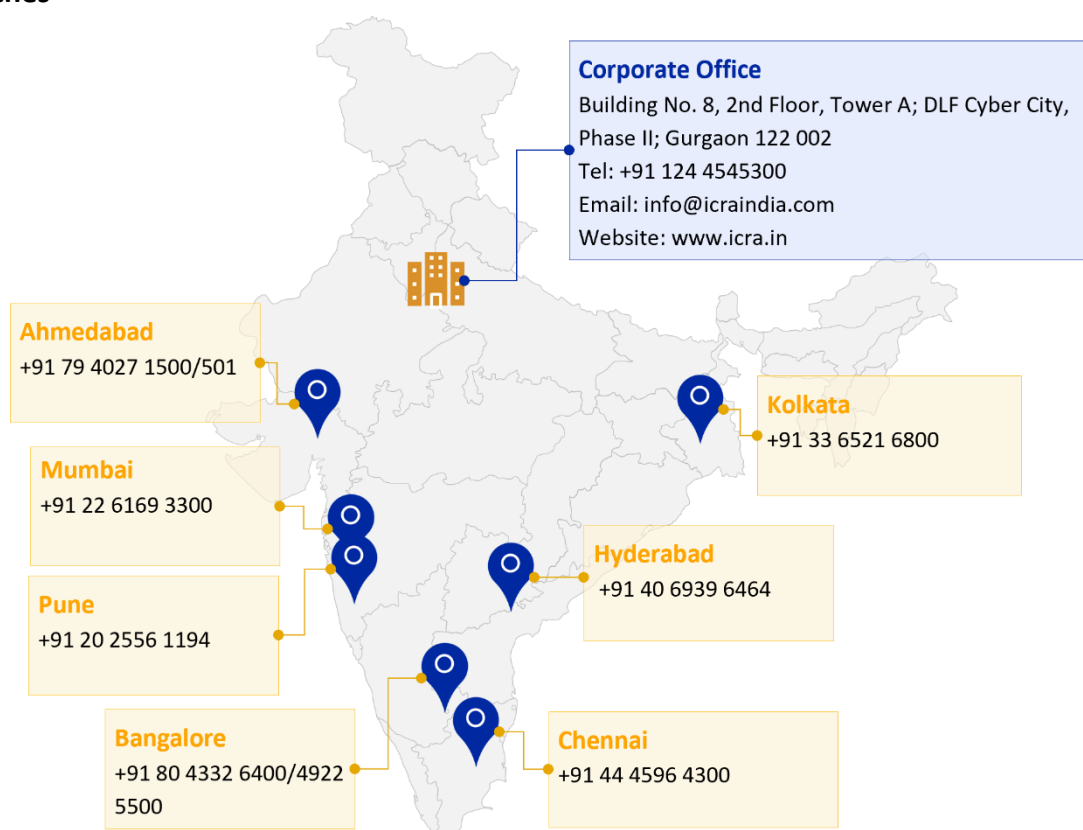
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