August 05, 2026

M. B. Mehta & Co.: Ratings reaffirmed and 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 / short term – Fund based – Post shipment credit	20.00	20.00	[ICRA]BBB- (Stable)/ [ICRA]A3; Ratings reaffirmed and removed from Rating Watch with Negative Implications; Stable outlook assigned	RBI
Long term/ short term – fund based – Export packing credit^	(6.00)	(6.00)	[ICRA]BBB- (Stable)/ [ICRA]A3; Ratings reaffirmed and removed from Rating Watch with Negative Implications; Stable outlook assigned	RBI
Long term/ short term – Fund based – PCFC^	(20.00)	(20.00)	[ICRA]BBB- (Stable)/ [ICRA]A3; Ratings reaffirmed and removed from Rating Watch with Negative Implications; Stable outlook assigned	RBI
Total	**20.00**	**20.00**		

**Instrument details are provided in Annexure I; ^ Sub-limit under post shipment credit*

#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

ICRA has taken a consolidated view of M. B. Mehta & Co. (MBM) and M.B. Polishing Works (MBPW), together referred to as the Group/firm. These entities have significant operational and financial linkages as they are in the same line of business and have a common management.

The reaffirmation of the ratings of the bank facilities of the Group and the revision in the outlook to Stable from Negative factor in the removal of the elevated tariffs previously imposed by the United States (US), which had adversely impacted demand and trade flows in the cut and polished diamond (CPD) industry. The revision in outlook also considers the Group's ability to mitigate the impact of lower demand from the US market through diversification of its export revenues, with increased focus on markets such as West Asia, Europe and Southeast Asia, along with greater emphasis on the domestic market.

The ratings continue to derive strength from the promoters' extensive experience of over three decades in the CPD. The Group's conservative financial policy and negligible reliance on external debt have supported a comfortable capital structure and healthy debt protection metrics, notwithstanding the continued moderation in revenues, declining profitability and periodic capital withdrawals by the partners. The financial profile remains supported by a controlled working capital cycle and the Group's focus on low-carat diamonds, a segment that generally witnesses relatively stable demand. However, the operating performance has remained under pressure due to persistent demand headwinds in the CPD industry. The Group's operating income declined by around 19% in FY2025 and further by around 28% in FY2026, impacted by weak global demand, softening diamond prices and challenges arising from incremental tariff measures imposed by the US Government. The industry continues to face headwinds from the growing acceptance of lab-grown diamonds (LGDs) and elevated gold prices, which have exerted pressure on studded diamond jewellery demand and margins. Given the persistent industry challenges and subdued demand environment, the Group's revenues are expected to grow at a moderate pace over the medium term.

The ratings are, however, constrained by the Group's high customer concentration, with the top five customers contributing around 57% of revenues in FY2026. The profitability also remains vulnerable to adverse movements in diamond prices and foreign exchange rates, given the export-oriented nature of operations, with exports accounting for around 58.5% of total revenues in FY2026. Nevertheless, the foreign exchange exposure is partially mitigated through a natural hedge provided by diamond imports. Further, the intensely competitive nature of the CPD industry limits pricing flexibility and continues to exert pressure on margins. ICRA also notes the risks associated with the partnership constitution of the entities, including the possibility of capital withdrawals.

The Stable outlook reflects ICRA's expectations that the Group will continue to maintain a comfortable financial profile over the medium term, supported by its controlled working capital intensity, negligible reliance on external borrowings, limited capital expenditure requirements and established relationships with customers and supplier.

Key rating drivers and their description

Credit strengths

Extensive experience and established track record of over three decades in the diamond industry – The firms benefit from the extensive experience of its partners, who have been associated with the diamond industry for over three decades. Their established industry relationships and experience have helped the Group develop long associations with key customers and suppliers.

Comfortable financial profile – The firms' debt profile, like most CPD companies, is short term in nature for meeting its working capital requirements. Owing to its controlled working capital intensity and negligible reliance on fund-based working capital facilities, the capital structure remained comfortable, as reflected in a gearing below unity and TOL/TNW of 0.5 times as on March 31, 2026. The debt coverage metrics also remained strong, with an interest coverage ratio of 11.6 times in FY2026 and Total Debt/OPBITDA remaining below 1.0 times. The financial profile is expected to remain supported by the Group's limited dependence on external borrowings, controlled working capital requirements and absence of any significant debt-funded capex plans in the near to medium term.

Credit challenges

Declining revenue along with high customer concentration risk – The firms have reported a sustained decline in scale of operations, with operating revenues declining by 28% YoY in FY2026 from 19% YoY in FY2025 and 32% YoY in FY2024, primarily on account of subdued demand in the natural diamond industry, weakening diamond prices and geopolitical disruptions, including the impact of elevated US tariffs in FY2026. The customer base comprises wholesalers, traders and jewellery manufacturers across domestic and international markets. While customer concentration remains high, with the top five customers accounting for around 57% of revenues in FY2026, the concentration moderated compared to previous years, supported by the addition of new customers and diversification of the revenue base. Although the firms benefit from long relationships with key customers, revenues remain susceptible to demand trends and procurement decisions of a few large customers.

Demand headwinds being faced by the CPD industry – The cut and polished diamond (CPD) industry continues to face demand pressures arising from weak consumer sentiment across key export markets, increasing competition from lab-grown diamonds (LGDs) and a prolonged weakness in China. Additionally, elevated US tariffs during FY2026 adversely impacted trade flows and demand from the US market, resulting in a significant decline in the Group's export volumes and revenues. Despite recent moderation in tariff rates, the demand recovery across major markets remains gradual.

Risks associated with the partnership constitution of firms – The ratings continue to factor in the risks associated with the Group's partnership constitution, wherein substantial capital withdrawals by partners may weaken its capital structure and liquidity profile. The Group witnessed net capital withdrawals aggregating Rs. 4-6 crore over the last two years. However, the promoters have also infused funds, as and when required, providing a degree of financial flexibility. Further, with exports accounting for 58.5% of revenues in FY2026, profitability remains exposed to foreign exchange fluctuations, although the risk is partially mitigated through a natural hedge arising from imports. The Group's margins also remain vulnerable to volatility in rough diamond prices and intense competition from organised as well as unorganised players, which limits pricing flexibility and exerts pressure on profitability.

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. 30 crore. The firm has cash and bank balance of Rs. 15.2 crore as on March 31, 2026. The firm does not have any major capex plan or any term debt repayments in the near-to-medium term, which supports its liquidity profile. Any major capital withdrawals may put pressure on the financial flexibility of the firm.

Rating sensitivities

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

Negative factors – Pressure on the group's ratings could arise if 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. Sustained weakening of total outside liabilities vis-à-vis the tangible net worth to above 2 times, on a sustained basis, would also be a negative trigger.

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 MBM and MBPW

About the company

M.B. Mehta & Co. (MBM) commenced operations as a trader of polished diamonds, while M.B. Polishing Works (MBPW) was established for manufacturing diamond. Over the years, both the entities have evolved into integrated players engaged in the trading and manufacturing of rough and polished diamonds.

MBM is a Responsible Jewellery Council (RJC)-certified partnership firm established in 1973, while MBPW was incorporated in 1984 by Mr. Manoj Mehta and Mr. Kiran Mehta. The Group is currently managed by six partners and operates a manufacturing facility in Navsari, Gujarat, along with a marketing office in BKC, Mumbai. The diamond cutting and polishing activities are undertaken through Parmes Diamond Manufacturing LLP (PDML), an associate entity owned by the partners. The Group primarily focuses on smaller-sized diamonds below 70-80 cents, largely comprising non-certified stones, with conventional round diamonds accounting for around 80% of sales and fancy-shaped diamonds constituting the balance 20%.

Key financial indicators (audited/Provisional)

Consolidated	FY2025	FY2026*
Operating income	405.0	295.3
PAT	7.0	4.6
OPBDIT/OI	2.8%	3.3%
PAT/OI	1.7%	1.6%
Total outside liabilities/Tangible net worth (times)	0.6	0.5
Total debt/OPBDIT (times)	0.3	0.0
Interest coverage (times)	7.0	11.6

*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 (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	Aug 05, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based – Post shipment credit (PSC)	Long Term/ Short term	20.00	[ICRA]BBB- (Stable)/ [ICRA]A3	Sep 19, 2025	[ICRA]BBB-; Rating Watch with Negative Implications/ [ICRA]A3; Rating Watch with Negative Implications	Oct 08, 2024	[ICRA]BBB- (Stable)/ [ICRA]A3	Oct 06, 2023	[ICRA]BBB- (Stable)/ [ICRA]A3
Fund based – Export packing credit (EPC)*	Long Term/ Short term	(6.00)	[ICRA]BBB- (Stable)/ [ICRA]A3	Sep 19, 2025	[ICRA]BBB-; Rating Watch with Negative Implications/ [ICRA]A3; Rating Watch with Negative Implications	Oct 08, 2024	[ICRA]BBB- (Stable)/ [ICRA]A3	Oct 06, 2023	[ICRA]BBB- (Stable)/ [ICRA]A3
Fund based – PCFC*	Long Term/ Short term	(20.00)	[ICRA]BBB- (Stable)/ [ICRA]A3	Sep 19, 2025	[ICRA]BBB-; Rating Watch with Negative Implications/ [ICRA]A3; Rating Watch with Negative Implications	Oct 08, 2024	[ICRA]BBB- (Stable)/ [ICRA]A3	Oct 06, 2023	[ICRA]BBB- (Stable)/ [ICRA]A3

**Sub-limit under post shipment credit*

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term / short term – Fund based – Post shipment credit	Simple
Long term/ short term – fund based – Export packing credit	Simple
Long term/ short term – Fund based – PCFC	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

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	Fund based – Post shipment credit (PSC)	NA	NA	NA	20.00	[ICRA]BBB- (Stable)/ [ICRA]A3	RBI
NA	Fund based – Export packing credit (EPC)	NA	NA	NA	(6.00)	[ICRA]BBB- (Stable)/ [ICRA]A3	RBI
NA	Fund based – PCFC	NA	NA	NA	(20.00)	[ICRA]BBB- (Stable)/ [ICRA]A3	RBI

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
M. B. Mehta & Co.	-	Full consolidation
M. B. Polishing Works	-	Full consolidation

Source: Company

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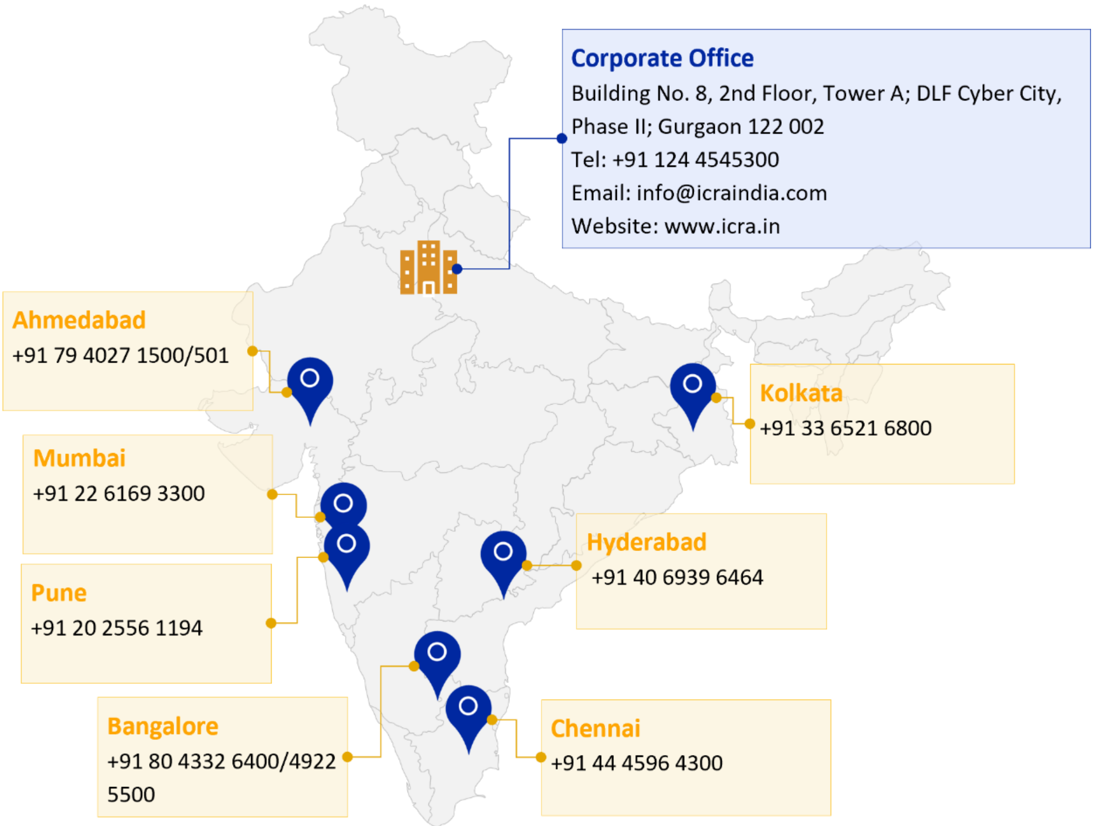

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