

January 21, 2016

Facilities	Amount (Rs. Crore)	Rating
Export Packing Credit/Packing Credit Foreign Currency (EPC/PCFC)	20.00*	SMERA BB/Stable (Assigned)
EPC/PCFC (Proposed)	20.00	SMERA BB/Stable (Assigned)

*FOBP/FABC/FOBNLC as sublimit to the extent of Rs. 20.00 crore

*FOUBP/FOUBNL as sublimit to the extent of Rs. 10.00 crore

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.40.00 crore bank facilities of Asha Diamond (AD). The outlook is '**Stable**'. The rating derives comfort from the promoter's extensive industry experience, established relationship with customers and suppliers, and robust revenue growth over the past three years. However, the rating is constrained by the firm's working capital intensive operations and stretched bank lines. The rating notes that the firm's profit margins are susceptible to volatility in raw material prices and fluctuation in foreign exchange rates. The rating also factors that the firm's business risk profile is exposed to intense competition prevalent in the diamond industry.

Rating Sensitivity

- Sustainable revenue growth coupled with improvement in profitability margin
- Working capital management and bank limit utilization

Outlook - Stable

SMERA believes AD will continue to benefit over the medium term from the promoter's experience in the diamond industry. The outlook may be revised to 'Positive' in case the firm achieves sustained improvement in profit margins while maintaining healthy revenue growth, or in case of improvement in the firm's working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the firm's profitability, or in case the firm reports high forex losses. The outlook may also be affected by major deterioration in the firm's capital structure on account of higher-than-expected debt-funded working capital requirements.

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About the firm

Asha Diamond (AD) was set-up as a proprietorship concern in 2009 by Mr. Chandresh Gandhi. In 2012, the firm was converted into a partnership firm. Currently the partners are Mr. Pragnesh Patel and Mr. Sanket Gandhi. The firm is engaged in processing of high carat diamonds. AD has a processing unit in Surat, Gujarat. In FY2014-15, the firm derived ~80 per cent of its sales from exports. The major markets of the firm are USA, Hong Kong, UAE and Israel.

For FY2014-15, AD reported profit after tax (PAT) of Rs.1.42 crore on operating income of Rs.128.30 crore, as compared with PAT of Rs.1.45 crore on operating income of Rs.83.79 crore in the previous year. The net worth of the firm stood at Rs.26.16 crore as on March 31, 2015 as compared to negative networth of Rs.4.80 crore in the previous year.

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