

Press Release

Vnr Exports

February 24, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 24.00 crore bank facilities of Vnr Exports. The outlook is '**Stable**'.

VNR Exports (the erstwhile VNR Enterprises), a Surat-based entity is led by partners, Mr. Vinubhai Kakadiya, Mr. Pravin Alagiya, Mr. Ravibhai Asodariya and others. The firm is engaged in the processing of diamonds.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

VNR was established in 2005. The partners possess more than two decades of experience in the said line of business.

- **Healthy revenue growth**

The firm reported operating income of Rs.239.48 cr in FY2015-16 as against Rs.230.77 cr in FY2014-15 and Rs.105.78 cr in FY2013-14. The operating income stood at Rs.150.00 cr in 9MFY16-17.

- **Moderate financial risk profile:**

The financial risk profile is moderate with gearing (debt to equity) ratio at 0.77 times as on 31 March, 2016. The Interest coverage ratio stood at 3.21 times in FY2015-16 as compared to 4.00 times in the previous year. The Debt Service Coverage Ratio (DSCR) stood at 3.21 times in FY2015-16 as compared to 4.00 times in the previous year.

Weaknesses

- **Customer concentration risk:**

The firm has booked revenue of Rs.150 cr (provisional) in FY2017 (9 M). Further the firm has exported around 50 per cent of its total sales in FY2017 (9 M) to two customers i.e. Samir Gems and S D Guru Diam. Hence, the firm is exposed to customer concentration risk.

- **Foreign exchange fluctuation risk:**

Since the firm imports 100 per cent of rough diamonds from Belgium and exports around 37 per cent of polished diamonds to Belgium and Hong Kong, it has a natural hedge to a certain extent. Further, the firm hedges part of its forex exposure. Thus it is exposed to foreign exchange fluctuation risk for the un-hedge imports and exports.

- **Intense market competition**

The diamond industry in India is highly fragmented with low entry barriers and intense market

competition.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of VNR.

Outlook: Stable

SMERA believes that VNR will maintain a stable outlook over the medium term owing to its established market position and experienced management. The outlook may be revised to Positive in case the firm achieves higher than expected improvement in revenue and profit margins while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to Negative in case of significant deterioration in profitability or financial risk profile owing to higher than expected working capital borrowings.

About the Rated Entity - Key Financials

VNR Exports (VNR) was established as a partnership firm in 2005. The firm is engaged in the processing of diamonds at Surat, Gujarat. VNR reported profit after tax (PAT) of Rs.2.15 crore on net sales of Rs.239.48 crore in FY2016, compared with PAT of Rs.2.09 crore on net sales of Rs.230.77 crore in FY2015. The tangible net worth for FY2016 stood at Rs.26.40 crore.

Status of non-cooperation with previous CRA (if applicable)

CARE, vide release dated 30 December, 2016 has suspended, the ratings assigned to the bank facilities of VNR Enterprise with immediate effect. The ratings have been suspended as the firm has not furnished the information required by CARE for monitoring of the ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA A4+

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ABOUT SMERA

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