

Press Release

20 March, 2017

Ashapuri Exim Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs. 23.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 23.00 crore bank facilities of Ashapuri Exim Private Limited. The outlook is '**Stable**'.

Ashapuri Exim Private Limited (AEPL), incorporated in 2002 is a Surat-based company engaged in the processing, supply and export of cut and polished diamonds. The company was promoted by Mr. Rasiklal Amratlal Sanghvi, Ms. Sushilaben Rasiklal Sanghvi, Ms. Rinkuben Harshadkumar Sanghvi, and Mr. Harshid Rasiklal Sanghvi.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Rasiklal Amratlal Sanghvi and Mr. Harshid Rasiklal Sanghvi have more than two decades of experience in the gems and jewellery industry.

- **Growth in revenues**

The company registered revenue of Rs. 53.71 cr in FY2015-16 as against Rs. 39.04 cr in FY2014-15 and Rs. 27.33 cr in FY2013-14. The company achieved revenue of Rs. 25.00 cr from April to October, 2016.

- **Comfortable working capital cycle**

The company has comfortable working capital cycle days of 21 in FY2015-16 due to quicker collection from customers. The debtors stood at 129 days and creditors at 188 days in FY2015-16. However, the firm has higher GCA (gross current assets) of 209 days in FY2015-16.

Weaknesses

- **Modest scale of operations**

The company has modest scale of operations marked by operating income of Rs. 53.71 cr in FY2015-16.

- **Low profitability**

AEPL has low profitability marked by operating margin of 5.31 percent and PAT (Profit after tax) margin of 1.24 percent in FY2016 as against operating margin of 4.79 percent and PAT margin of 5.11 percent in FY2015. Further, the company faced operating losses of Rs.0.44 cr in FY2015 and PAT of Rs.2.00 cr after accounting for Rs.3.19 cr as non-operating income received in the form of dividend through its wholly owned subsidiary 'Ashapuri Exim DMCC'.

- **Susceptibility of profit margins to volatility in the prices of diamonds**

The company has operating profit margin of 5.31 percent and PAT margin of 1.24 percent in FY2015-16. Around 60 per cent revenue is generated from exports. The rough diamonds (raw material) are imported from Belgium which exposes the company to currency fluctuation risk.

- **Below-average financial risk profile**

The financial risk profile is average marked by high gearing (debt-to-equity ratio) of 6.74 times. The interest coverage ratio (ICR) has been moderate at 2.59 times in FY2015-16. The total debt mainly comprises unsecured interest bearing loan raised from directors.

- **Highly fragmented and competitive industry**

AEPL operates in a highly fragmented and competitive industry with a large number of organised and unorganised players.

Analytical Approach

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

Outlook: Stable

SMERA believes that AEPL will benefit over the medium term from the promoters' experience in the diamond industry. The outlook may be revised to 'Positive', if the firm achieves sustained improvement in profit margins while maintaining healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of a decline in profit margins or major deterioration in the capital structure.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.67 cr on operating income of Rs.53.71 cr, as compared with PAT of Rs.2.00 cr on operating income of Rs.39.04 cr in FY2014-15. The net worth stood at Rs.1.71 cr as on March 31, 2016 against Rs.0.72 cr a year earlier.

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

None

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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A4
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B/Stable

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ABOUT SMERA

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