

Press Release

Friends International

May 08, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA B/ Outlook: Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed a long term rating of '**SMERA B**' (**read as SMERA B**) and reaffirmed the short term rating of '**SMERA A4**' (**read as A four**) on the bank facilities of Rs.11.00 of Friends International. The outlook is 'Stable'

Jaipur-based Friends International (FI) was formed in 2002 as a partnership concern by Mr Om Prakash Dangayach and his wife, Mrs Pushpa Dangayach. FI is engaged in the processing and export of precious and semiprecious gemstones particularly like Tanzanite, Emerald, Morganite, Ruby, Amethyst and Citrine. The processing unit is located at Jaipur (Rajasthan). The firm procures rough gem stones from Jaipur as well as imports the same from Hong Kong, USA and exports its products to Hong Kong, Dubai and USA etc.

Key Rating Drivers

Strengths

Experienced management and long track record of operation

The promoters have more than two decades of experience in the said line of business. FI has a long operational track record of over 16 years in the industry. FI has clients across Rajasthan and across Dubai, Hong Kong and USA. Over the years, the company has built healthy relations with suppliers for procurement of Rough gem stones.

Weaknesses

Decline in scale of operations

The operating income of the firm has declined and stood at Rs.32.33 crore in FY2017 as against Rs.58.23 crore in FY2016. The company achieved a turnover of ~Rs.32.64 crore as on March 31, 2018 (Provisional). The company's sales have declined due to fall in demand from overseas customers. The company exports to countries such as USA, Hong Kong and Middle East countries. Further, the entity has failed to achieve the SMERA projections of Rs.40.76 crore in FY2017.

Working capital intensive operations

FI operations remained working capital intensive, as reflected in high gross current assets (GCA) of 168 days as on March 31, 2017 compared to 144 days as on March 31, 2016 due to high debtor and inventory days. Inventory days stood at 99 as on March 31, 2017 as compared to 34 as on March 31, 2016. The company maintains high inventory levels to service export markets on time. Debtor days stood at 70 days as on March

31, 2017 compared to 108 days as on March 31, 2016. The company's credit terms with customers ranges from 60 to 180 days. The firm has stretched liquidity profile (average bank loan utilization stood at 90% for April – March 2018.)

Outlook: Stable

SMERA believes that FI will continue to maintain a stable outlook over the medium term and benefit from its experienced management. The outlook may be revised to 'Positive' if the firm registers substantial growth in revenues and profitability while maintaining its debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	32.33	58.23	64.13
EBITDA	Rs. Cr.	1.28	1.18	0.97
PAT	Rs. Cr.	0.10	0.39	0.70
EBITDA Margin	(%)	3.96	2.02	1.52
PAT Margin	(%)	0.31	0.67	1.09
ROCE	(%)	6.66	8.31	8.51
Total Debt/Tangible Net Worth	Times	2.93	2.75	-
PBDIT/Interest	Times	1.42	1.95	2.72
Total Debt/PBDIT	Times	8.73	7.37	7.49
Gross Current Assets (Days)	Days	168	144	181

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Jan-2017	Packaging Credit	Long Term	5.50	SMERA B/Stable (Assigned)
	Foreign Bill Purchase/Foreign Bill Discounting	Short Term	5.50	SMERA A4 (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Packaging Credit	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA B/Stable (Reaffirmed)
Foreign Bill Purchase/Foreign Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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