

Press Release

Vishal Diamonds

03 July, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs.25.00 Cr
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.25.00 crore bank facilities of Vishal Diamonds.

Vishal Diamonds is a Mumbai-based partnership firm, established in 1998 by Mr. Sunay Gandhi, Mr. Chetan Gandhi, Mrs. Sejal Gandhi and Mrs. Vishakha Gandhi. The firm trades in polished diamonds, and also manufactures diamond-studded gold jewellery.

List of key rating drivers and their detailed description

Strengths

Experienced management: Vishal Diamonds benefits from its experienced management. The partners viz. Mr. Sunay Gandhi, Mr. Chetan Gandhi, Mrs. Sejal Gandhi and Mrs. Vishakha Gandhi possess around two decades of experience in a similar line of business.

Average financial risk profile: The firm has average financial risk profile marked by gearing (total liabilities to tangible net worth) of 1.88 times as on 31 March 2016 as against 3.08 times as on 31 March 2015. The total debt mainly comprises working capital borrowings. The interest coverage ratio stood at 2.17 times in FY2015-16 as against 1.69 times in FY2014-15. The firm has moderate net worth of Rs. 10.49 crore as on 31 March, 2016 as against Rs. 8.54 crore as on 31 March, 2015.

Weaknesses

Modest scale of operations: Despite the long track record of business, the scale of operations business is moderate. The firm registered revenue of Rs. 65.84 crore in FY2015-16 as against Rs.50.75 crore in FY2014-15. Further, the firm achieved revenue of Rs.75.06 crore in FY2016-17 (Provisional).

Thin profitability: Vishal Diamonds derives around 80 per cent revenue from trading in diamonds and the balance 20 per cent from sale of diamond-studded gold jewellery. Thus the firm operates on thin profit margins. The operating margins declined to 1.63 per cent for FY2015-16 as against 2.92 per cent for FY2015 on account of increase in raw material prices. Further the PAT margins are also thin at 0.57 per cent for FY2015-16 and FY2014-15.

Working capital intensive operations: Vishal Diamonds has working capital intensive operations marked by GCA (Gross current asset) days of 156 for FY2015-16 as against 234 days for FY2014-15 due to high receivable cycle of 90 days and inventory holding period of 62 days for FY2016.

Foreign exchange fluctuation risk: Vishal Diamond exports around 80 per cent of its revenue to countries like China, UAE, US, Hong Kong and Russia. Thus it is exposed to foreign exchange fluctuations.

Analytical approach: SMERA has considered standalone financial and business risk profile of Vishal Diamonds.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Manufacturing entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

About the Rated Entity – Key financials

Vishal Diamonds reported profit after tax (PAT) of Rs. 0.30 crore on total operating income of Rs.65.84 crore in FY2015-16, compared with PAT of Rs. 0.29 crore on total operating income of Rs. 50.75 crore in FY2014-15. The tangible net worth for FY2015-16 stood at Rs. 10.49 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History: 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
Foreign Documentary bill purchase	N.A	N.A	N.A	25.00*	SMERA A4+ (Assigned)

**Sublimit is Direct Bills of Rs.12.50 Cr*

**Sublimit is Packing Credit of Rs.8.50 Cr*

**Sublimit is Gold Loan of Rs. 2.00 Cr*

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ABOUT SMERA

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