

Press Release

OM ANAND EXPORTS

December 07, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 17.00 Cr.
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 17.00 crore bank facilities of OM ANAND EXPORTS.

The Mumbai-based partnership firm, OM Anand Exports (OAE) was established in 1989. Currently the partners are Mr. Dhirajlal A.Patel, Mr.Jayantilal A.Patel, Mr.Sanjaybhai A.Patel and others. The firm trades in diamonds. It imports diamonds (90 per cent) from Belgium and Dubai and also purchases (10 per cent) from the domestic market. The firm earns about 60 percent revenue from Mumbai and the rest from exports to USA, Hong Kong, Belgium, South Africa and other countries.

Key Rating Drivers

Strengths

- **Long track record of operations**

OAE established in 1989 was promoted by the Late Mr. Arjunbhai G. Patel, Mr. Dhirajlal A. Patel, Mr. Jayantilal A. Patel and others. The firm has long track record of operations.

- **Moderate scale of operations**

The scale of operations is moderate as evident from the revenue of Rs. 71.91 crore in FY2017 and Rs. 43.39 crore in FY2016. The firm registered revenue of Rs.16.44 crore from exports and Rs.7 crore from domestic sales during April to October 2017 (Provisional). The fluctuations in the topline of the firm have been due to the instability in the global diamond market. Moreover, the firm operates in a highly fragmented and competitive industry, thus limiting its bargaining power in terms of pricing and credit terms with customers.

- **Average financial riskprofile**

The average financial risk profile is marked by moderate networth, comfortable gearing and moderate debt protection measures. The networth stood at Rs 21.53 crore as on 31 March, 2017 as compared to Rs. 22.16 crore as on 31 March, 2016. The debt equity stood at 0.82 times in FY2017 compared to 0.75 times in FY2016. The total debt of Rs.17.72 crore constitutes Rs.1.38 crore of long term debt in the form of unsecured loans from directors and relatives and Rs 16.33 crore of short term debt facility. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.03 times while Debt Service Coverage (DSCR) stood at 1.23 times as on 31 March, 2017. The Interest Coverage Ratio stood at 1.23 times in FY2017 as compared to 1.20 times in FY2016.

Weaknesses

- **Working capital intensive operations**

The operations of OAE are working capital intensive with elongated Gross Current Assets (GCA) of around 263 days in FY2017. The Inventory stood at a high of 153 days for FY2017 as a result of reduction in sales, a sluggish market and collection days (debtor days) of 109.

- **Susceptibility of profit margins to volatility in raw material prices and foreign exchange fluctuation risk**

OAE's sales comprise big diamonds. The gems and jewellery industry is heavily dependent on imports. Hence, the profitability of the firm is susceptible to volatility in diamond prices in the international market. The firm imports around ~90 per cent of its purchases from Belgium and Dubai. OAE also exports ~40 per cent of its sales to USA, Hong Kong, Belgium, South Africa and other countries. As a result, the firm benefits from natural hedge for a part of its exposure. OAE does not hedge its exposure.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of OAE.

About the Rated Entity - Key Financials

The firm registered net profit of Rs. 0.24 crore on operating income of Rs. 71.19 crore for FY2016-17 compared to net profit of Rs. 0.20 crore on operating income of Rs. 43.39 crore for FY2015-16. The networth stood at Rs.21.53 crore as on 31 March, 2017 as against Rs. 22.16 crore as on 31 March, 2016.

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

India Ratings revised the ratings of the company to non-cooperating category, with the following rationale on October 30, 2017: India Ratings and Research (Ind-Ra) has migrated Om Anand Exports' (OAE) bank loans to the non-cooperating category. The issuer did not participate in the rating exercise despite continuous requests and follow-ups by the agency. Therefore, investors and other users are advised to take appropriate caution while using these ratings. The rating will now appear as 'IND A4(ISSUER NOT COOPERATING)' on the agency's website.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.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 (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	4.25	SMERA A4+
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	12.75	SMERA A4+

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ABOUT SMERA

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