

Press Release

Om Anand Exports

January 08, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs. 17.00 Cr.
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.17.00crore bank facilities of Om Anand Exports (OAE).

The rating revision is in view of instances of overdues in the loan facilities of nearly 90 days. The delays are due to decline in revenues, high interest repayment and negative cash accruals.

The Mumbai-based partnership firm, 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 percent) from Belgium and Dubai and also purchases (10 percent) 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of OAE to arrive at this rating.

Key Rating Drivers

Strengths

- Experienced management**

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. The promoter possess more than two decades of experience in the same line of business.

Weaknesses

- Delay in debt servicing**

There have been instances of overdues in the loan facilities of nearly 90 days. The delays are due to decline in revenues, high interest repayment and negative cash accruals.

- Weak financial risk profile**

The financial risk profile is weak marked by net worth of Rs.14.12crore as on 31 March, 2018 as against Rs.21.53 crore as on 31 March, 2017. The decline in networth is on account of withdrawal of capital by the promoters. Also, the networth includes unsecured loans of Rs.6.43crore as on 31 March, 2018 from promoters which are treated as quasi equity based on the undertaking provided by the management that the same will be maintained in the business over the long term. The gearing stood at 1.77 times for FY2018 against 0.82 times in FY2017. The total debt of Rs. 24.95crore includes term loan of Rs. 0.25 crore, working capital borrowing from bank of Rs. 16.99 crore and unsecured loans of Rs.7.71crore. Interest Coverage Ratio (ICR) stood at 0.88 times in FY2018 against 1.23 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.94 times for FY2018 as against 1.47 times in FY2017. The net cash accruals to total debt (NCA/TD) stood negative at 0.01 times in FY2018 against 0.03 times in FY2017.

Going forward, Acuite believes that the firm's ability to improve its net worth along with debt protection will remain key rating sensitivity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	47.52	71.19	43.39
EBITDA	Rs. Cr.	2.10	2.55	2.95
PAT	Rs. Cr.	(0.48)	0.24	0.20
EBITDA Margin	(%)	4.42	3.58	6.80
PAT Margin	(%)	(1.01)	0.34	0.45
ROCE	(%)	4.78	5.91	6.36
Total Debt/Tangible Net Worth	Times	1.77	0.82	0.75
PBDIT/Interest	Times	0.88	1.23	1.20
Total Debt/PBDIT	Times	12.01	7.01	5.55
Gross Current Assets (Days)	Days	305	263	370

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Dec-2017	Packing Credit	Short Term	4.25	ACUITE A4+ (Assigned)
	Post Shipment Credit	Short Term	12.75	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	4.25*	ACUITE D (Downgraded from ACUITE A4+)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	12.75^	ACUITE D ((Downgraded from ACUITE A4+)

*Standby limit of Rs.0.85 crore

^Standby limit of Rs.2.55 crore

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About Acuité Ratings & Research:

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