

Press Release

Ghanshyam Impex (GI)

16 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB/Stable (Assigned)

**Refer annexure for details*

SMERA has assigned long term rating of '**SMERA BB**' (**read as SMERA double B**) on the abovementioned bank facilities of Ghanshyam Impex (GI). The outlook is '**Stable**'.

GI was established in 2010 by Mr. Jivrajbhai Laxmanbhai Mavani, Mr. Himmabhai Laxmanbhai Mavani, Mr. Ghanshyambhai Laxmanbhai Mavani and Mr. Jaysukhbhai Laxmanbhai Mavani. The firm is engaged in the cutting and polishing of rough diamonds at Surat.

Key rating drivers

Strengths

Established track record and experienced management: The firm commenced operations in 2000 in cutting and polishing of rough diamonds. It is led by, Mr. Jivrajbhai Laxmanbhai Mavani, Mr. Himmabhai Laxmanbhai Mavani, Mr. Ghanshyambhai Laxmanbhai Mavani and Mr. Jaysukhbhai Laxmanbhai Mavani who possess around two decades of experience in the diamond industry.

SMERA believes that GI will continue to benefit from its established position in the market and experienced management.

Growth in revenues: The firm registered healthy revenue growth at CAGR of 19 per cent in the last three years ended FY2017. The firm reported healthy revenue growth of more than 27 percent with operating income of Rs. 56.18 crore for FY2017 as against Rs. 44.14 crore for FY2016. The significant growth in revenue is due to stabilisation of operations and acceptance of its products in the market leading to increase in orders from customers. Further, the firm registered revenue of Rs.66.34 crore for the period Apr to Jan 2018.

SMERA believes that revenues would further improve in FY2018 on the basis of its established relations with customers and registered revenues.

Moderate financial risk profile: GI has moderate financial risk profile marked by net worth of Rs. 7.00 crore as on 31 March, 2017 as against Rs.5.02 crore as on 31 March, 2016. The gearing stood at 0.48 times as on 31 March, 2017 and 0.49 times as on 31 March, 2016. The total debt mainly consists of working capital loan of Rs.2.95 crore and unsecured loan from related parties of Rs.0.42 crore as on 31 March, 2017. The ICR stood at 3.96 times in FY2017 as against 1.63 times in FY2016. However, going forward gearing is expected to moderately increase in the near term on account of enhancement in its working capital limits.

Weaknesses

Working capital intensive operations: GI has working capital intensive operations marked by GCA of 235 days in FY2017 and 150 days for FY2016. The GCA days are mainly influenced by inventory of 180 days in FY2017 and 121 days in FY2016. Moreover, the facilities have been almost fully utilised as confirmed by the banker.

Foreign exchange fluctuation risk: GI imports rough diamonds (raw material) from Belgium, Dubai and Hong Kong and after processing exports the same. The firm is hence exposed to foreign exchange fluctuation risk.

Competitive nature of business: The firm is exposed to intense competition in the diamond industry.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of GI to arrive at the rating.

Outlook: Stable

SMERA believes that GI will maintain a Stable outlook and continue to benefit over the medium term from its promoters' extensive experience in the diamond industry. The outlook may be revised to 'Positive' in case of sustained improvement in profit margins while maintaining healthy revenue growth, or improvement in the working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability, or major deterioration in the capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	56.18	44.14	27.80
EBITDA	Rs. Cr.	1.02	1.25	0.56
PAT	Rs. Cr.	0.64	0.40	0.23
EBITDA Margin	(%)	1.82	2.84	2.00
PAT Margin	(%)	1.14	0.90	0.83
ROCE	(%)	10.08	17.11	14.43
Total Debt/Tangible Net Worth	Times	0.48	0.49	0.60
PBDIT/Interest	Times	3.96	1.63	2.57
Total Debt/PBDIT	Times	3.30	1.94	4.18
Gross Current Assets (Days)	Days	235	150	167

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.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): None

Rating History for the last three years: None

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit*	NA	NA	NA	6.50	SMERA BB/ Stable (Assigned)
Proposed Bank Facility	NA	NA	NA	3.50	SMERA BB/ Stable (Assigned)

*Includes sublimit of PCL/PCFC/FBN/EBD to the tune of Rs.3.00 crore and sublimit of Buyer Credit to the tune of Rs.3.50 crores.

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ABOUT SMERA

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