Brickwork Ratings assigns 'BWR A4+' for the Bank Loan Facilities aggregating ₹ 80 Cr of G G Exports

Brickwork Ratings (BWR) has assigned the following **Rating**[1]) for the short term Bank Credit Facilities of G.G Exports *("GGE" or "the Firm").*

Facility	Amount (₹ Cr)	Tenure	Rating
Post Shipment Credit (A)	**80.00**	**Short Term**	**BWR A4+** (BWR A Four Plus)
Pre Shipment Credit [Sublimit of A]	(32.00)		
Direct Export [Sublimit of A]	(80.00)		
Export Pre Finance Against Receivables in DDA [Sublimit of A]	(80.00)		
Total	**80.00**	**(INR Eighty Crores only)**	

The rating, inter alia, factors experience of the partners' in the jewellery business, and location of the manufacturing unit at Surat providing accessibility for skilled labour. The rating is however constrained by the working capital intensive nature of the business, pressure on margins due to fluctuation in raw-material prices, duty / tax structure, fragmented and competitive nature of the industry.

BWR has essentially relied upon the audited financial results of G.G Exports up to FY13, and clarifications provided by the Firm.

Background

G.G Exports is a partnership Firm established during June 2010. The Firm is engaged import, cutting, polishing and export of diamonds. The Firm was reconstituted during April 2012 and the current partners of the Firm include Mr. Sanjay Dhanjibhai Zadaphia, Mr. Shailesh Dhanjibhai Zadaphia, Mr. Labhubhai Gandabhai Zadaphia and Mr. Sandip Labhubhai Zadaphia.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

The Firm's main unit is located in Surat where the cutting and polishing of stones are undertaken. It imports rough diamonds from Belgium and exports polished diamonds to various countries like U.S.A, Belgium, Thailand and Hong Kong.

Bank Facilities

The Firm has availed working capital facilities from Royal Bank of Scotland. The overall limit amounts to ₹ 80.00 Crores. The borrowings are secured by a charge on inventory, book-debts, fixed assets of the Firm and guarantee by its partners including the retired partner.

Financial Performance

Net revenues of the Firm grew by 62.26% in FY13. It witnessed a decrease in operating costs to sales ratio from 94.20% during FY12 to 92.28% during FY13. Despite the growth in revenues, the net margin fell from 5.10% during FY12 to 3.57% during FY13 mainly on account of increase in interest / finance charges and a reported forex loss incurred during FY13. The Firm's debt protection metrics was moderate with Total debt to equity of 0.25 times during FY12 and 0.44 times during FY13.

The balance sheet for FY13 expanded by 57.71% and has also witnessed an increase in Partners' capital during the same period. Liquidity profile of the Firm remained moderate with a current ratio of 1.29 times during FY 13 and a working capital cycle of 120 days.

Rating Outlook

Going forward, significant improvement in the net worth backed by the partners' funding, the Firm's ability to maintain favorable capital structure and effectively manage its working capital along with the substantial growth in profit margins and cash accruals would be key rating sensitivities for the Firm.

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