

Rating Report

Brickwork Ratings reaffirms 'BWR A4+' for the Bank Credit Facilities aggregating ₹ 15 Cr of A.S. Enterprise

Brickwork Ratings (BWR) has reaffirmed the **Rating**¹ of '**BWR A4+**' for the Short Term Bank Credit Facilities of ₹ 15 Cr of A.S. Enterprise ("**ASE**" or "**the Firm**")¹.

Facility	Limits	Tenure	Rating
EPC/PCFC	8.00	Short Term	BWR A4+
PSC/EBRD	7.00		
Total	15.00	(INR Fifteen Crores only)	

The rating reflects promoters' experience and expertise in diamond polishing business, long standing contacts with clients resulting in repeat orders, dealing in small carat size diamonds having stable demand, low gearing & healthy coverage indicators and promoters ability to infuse equity capital.

The rating is however constrained by Firm's small scale of operations restricting economies of scale, low profit margins due to less value addition and working capital intensive nature of business, concentrated expertise limiting business diversification and industry characterized by severe competition from players in the unorganized as well as organized sectors.

Operations

Incorporated in Jan 1986 as Partnership firm, A.S. Enterprise is involved in cutting & polishing of rough diamonds. The Firm generally imports rough diamonds from Belgium; Thailand and US, polishes them, and exports them to different countries with US contributing 25% of total exports. The Firm has its manufacturing facilities at Dahisar, Mumbai. A.S. Enterprise is promoted by two partners, Mr. Amit Shah and Mr. Sandip Kothari. Both partners have almost 3 decades of experience and expertise of Diamond industry.

The Firm generally works with diamonds in the range of 0.01 to 0.10 carat and has expertise in polishing small diamonds. Partners personally visit Belgium and other countries to source rough diamonds as per specific requirements of clients. The Firm employs around 200 people at its workshop in Mumbai and has state of the art machinery required for cutting and polishing rough diamonds. It imports diamonds on OGL basis. 60% of polished diamonds are exported whereas remaining is sold in domestic market. However payment for such transactions is received in dollars. It works at 100% capacity utilization and 50% of its sales are order backed. Diamond business generally works on trust and the Firm does not indulge in marketing

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

activities to get orders. It receives orders on the basis of long standing contacts and expertise in industry.

Financial Performance

As per the Provisional statements, the revenues for FY14 have declined to Rs. 79.57 Crores compared to Rs. 90.89 Crores in FY13 mainly on account of decline in demand and conservative policy adopted by the Firm on account of non-payment of dues across industry. Total volumes declined from 42658 carats in FY13 to 38674 carats in FY14. However the Firm is confident in meeting FY15 projected revenue target backed by improved demand from US markets. Exports contributes 60% of total sales and rest from local market, however the billing is done in US dollar in case of sales in domestic market as well. Operating profit margin of 3.5% and net profit margin of 2.5% has remained flat compared to FY13.

Working capital requirement of the Firm is high mainly on account of high receivables days. Debt levels mainly consist of working capital loans required for funding liquidity gap. Debt equity ratio has improved to 0.90 in FY14 mainly on account of lower debt levels and increase in net worth. Debt equity is however expected to worsen in FY15 due to increase in debt levels to fund higher working capital requirements backed by increase in volumes. Networth of the Firm has been on upward trend on account of better profitability which is again ploughed back into the business. Partners are committed for further equity infusion as per business requirement.

Outlook

Going forward, the Firm's ability to maintain favourable capital structure and effectively manage its working capital along with the substantial growth in revenues, profit margins and cash accruals would be key rating sensitivities for the firm. The outlook is expected to be stable over the coming year and the performance is estimated to be steady and in line with past performance.

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Annexure I- Key Financials- A.S. Enterprise

Ratios	2011	2012	2013
	Audited	Audited	Audited
Operating Income	66.60	85.23	90.89
EBITDA	2.32	2.90	3.61
PAT	1.62	2.09	2.54
Total Debt	8.92	7.43	15.72
Tangible Net worth (Rs. Cr)	12.52	13.56	15.25
Debt to Equity (x)	0.71	0.55	1.03
Interest Coverage (x)	3.68	4.34	3.86
EBITDA Margin (%)	3.42	3.29	3.88
PAT Margin (%)	2.41	2.40	2.73
Net Cash Accruals / Total Debt (x)	0.19	0.30	0.18
Current Ratio (x)	1.53	1.59	1.35

**Calculations has been based on BWR ratio definition*