

June 18, 2010

**CARE ASSIGNS THE RATING OF 'CARE BB-' TO THE
BANK FACILITIES OF VIMAL EXPORT**

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	13.00	'CARE BB-' [Double B Minus]	Assigned
Total Facilities	13.00		

Rating Rationale

The rating is constrained by the partnership nature of VME and small scale of operations coupled with withdrawal of capital by the partners in the past. The rating is further constrained by decline in revenue over the past two years (FY08 & FY09), low profitability margins, declining interest coverage, increasing working capital cycle leading to high overall gearing, increasing term debt to gross cash accruals ratio, increasing debtors to sales ratio coupled with uninsured debtors, strong competition from a large number of players in organized and unorganized sectors and high correlation of fortunes of Gems & Jewellery (GJ) sector to economic cycles.

The rating considers the experience of partners, long track record of the firm in diamond business and established clientele. The rating also factors in the Government support to the industry.

Ability of VME to increase its scale of operations, improve its profitability margins, improve its working capital cycle and sustained recovery of GJ sector are the key rating sensitivities.

Firm's profile

M/s Vimal Export, incorporated in 1989, is a closely-held partnership firm. The firm is engaged in processing of small-sized diamonds of less than one carat fancy-cut diamonds such as Princess, Marquises' and Pears at its manufacturing facility in Surat, Gujarat. The firm is not a DTC sight holder.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

Net sales of VME declined by 53.20% in FY09 to Rs.23.02 crore vis-à-vis Rs.59.73 crore in FY08. Further, PAT of the firm declined by 44.04% to Rs.0.51 crore in FY09 from Rs.0.91 crore in FY08.

In 9MFY10, VME reported a decline in sales of 18.80% y-o-y to Rs.15.86 crore. The firm reported PBT of Rs.0.31 crore in 9MFY10 vis-à-vis loss of Rs.0.69 crore at Pre-tax levels in 9MFY09.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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