

**FOR IMMEDIATE RELEASE**

October 5, 2010

**ICRA re-affirms LBB+/A4+ rating to the bank facilities of C.Mahendra Exports Limited; assigns stable outlook to long term rating**

ICRA has reaffirmed the long term rating of C.Mahendra Exports Limited (CMEL) at LBB+ (pronounced L double B plus) for Rs. 35.1 Cr<sup>1</sup> term loan and Rs. 114.0 Cr Cash credit facilities. ICRA has also reaffirmed the short term rating of A4+ (pronounced A 4 plus) for Rs. 750.0 Cr fund based limits and Rs. 100.0 Cr non-fund based limits of CMEL<sup>†</sup>. The long term rating carries a stable outlook.

The rating reaffirmation takes into account the satisfactory performance of CMEL, as reflected in modest growth of 11% in revenues and rise in operating margins on account of recovery in final CPD prices leading in better price realizations. The ratings however, continue to take into account the stretched financial position of the company, characterized by CMEL's highly leveraged capital structure and low debt protection indicators. ICRA notes that while the foray into jewellery retailing could help in terms of margins, the company is faced in execution risks involved in scaling up the retail business where its track record is limited and the high competitive pressures from both organized chains as well as unorganized ones. Also the inherently high working capital intensity in both the CPD as well as retail businesses would constrain the company's ability to generate free cash flows. The assigned also favourably factors in the extensive experience of CMEL's promoters and the company's well-established position in the CPD business, its long-standing relationship with the major diamond mining company, De Beers, as DTC<sup>2</sup> Sightholder since 1991.

**About the company**

Initially promoted as a partnership firm by Mr. Mahendra Shah, Mr. Champak Mehta and Mr. Pravin Shah in 1974, C. Mahendra Exports Limited (CMEL) was incorporated as a private limited company in January 2007 and converted into a public limited company in March 2007. CMEL is in the business of manufacturing CPDs (ranging from 0.01 carat to 1 carat). It exports diamonds primarily to Hong Kong, the United States (US), the United Arab Emirates (UAE), Belgium, and Israel. The company has two 100% EOU<sup>3</sup> manufacturing facilities at Surat (Gujarat). CMEL is the flagship entity of the CMEL group, which also has a diamond jewellery manufacturing and retailing division (under the brand name of *Ciemme*). The group's sales and distribution network is spread across major diamond centres of the world such as Hong Kong, Chicago (US), Houston (US), Los Angeles (US), New York (US), Dubai (UAE), Antwerp (Belgium) and Bangkok (Thailand). For the financial year ending FY2009-10 CMEL on a standalone basis reported a profit after tax (PAT) of Rs 21.15 Crore on an income of Rs 1564.87 Crore.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

<sup>2</sup>Diamond Trading Company Private Limited (DTC) is the London-based rough (uncut) diamond marketing arm of De Beers (South Africa), the largest diamond miner in the world.

<sup>3</sup> Export Oriented Unit

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