



March 2, 2010

ICRA reaffirms the A3 rating for bank facilities of Keshri Export

ICRA has reaffirmed the A3 (pronounced A three) rating to Rs. 580.0 million (enhanced from Rs. 480.0 million) short term fund based bank lines of Keshri Export ('Keshri' or 'the firm').

The rating continues to reflect the significant experience of the promoters and key management personnel in the diamond industry; their established business relationships with customers and a diversified customer portfolio. The rating also considers favorable change in business volumes of Keshri in a market prone to volatility in demand and price realisation. The rating, however, remains constrained by low profitability, which is inherent to the diamond industry and the weak cash flow indicators of the firm. The working capital intensity of Keshri continues to remain high stretched inventory and receivables position. Though networth improved over the previous year, the overall capital structure of the firm deteriorated in FY 2009 and remained strained during the nine-month period ended December 2009 on account of stretched working capital cycle and increase in bank borrowings to fund higher business volumes. Further, the coverage ratios continue to remain weak primarily due to increase in interest cost as a result of increased bank borrowings. The rating also reflects the intense competition faced by Keshri from large organised and unorganised companies in the diamond industry. As a large part of the sales of the company is directed to the export market, it remains vulnerable to volatility in foreign exchange rates, although imports provide a partial hedge. The rating also incorporates the challenging operating environment in the domestic as well as exports markets.

About the Company

Keshri Export was incorporated as a proprietary concern in 1982 by Mr. Valjibhai Gabani to manufacture and sell polished diamonds. It was converted into a partnership firm in 1985. Keshri Export is in the business of sourcing rough diamonds from open markets and manufacturing of cut and polish diamonds. The company sells most of its produce in the export markets. The manufacturing unit of Keshri is in Surat while sales and distribution of polished diamonds are carried out from its Mumbai branch office.

Recent Results

In FY 2009, Keshri reported net profit of Rs. 13.0 million on a revenue base of Rs. 1,333.5 million. For the nine-month period ended December 2009 (provisional, unaudited), the company reported profit before tax of Rs. 21.3 million on sales of Rs. 1,049.2 million.

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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

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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