

## MIRA INFORM REPORT

Report No. :	526187
Report Date :	23.08.2018

### IDENTIFICATION DETAILS

Name :	K.G.K. DIAMONDS CO., LTD.
Registered Office :	29 <sup>th</sup> Floor, Gems Tower, 1249/196 Charoenkrung Road, Suriyawongse, Bangrak, Bangkok 10500
Country :	Thailand
Financials (as on) :	31.03.2018
Date of Incorporation :	22.03.2001
Com. Reg. No.:	0105544028744
Legal Form :	Private Limited Company
Line of Business :	The subject is engaged in trading business, e.g. importing, distributing and re-exporting wide range of diamonds and gemstones, as well as exporting various kinds of local gemstones, diamonds and jewelry products.
No. of Employees :	10

### RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

**MIRA's Rating :** A

Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Satisfactory
Payment Behaviour :	Slow but correct
Litigation :	Clear

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**NOTES :**

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

**ECGC Country Risk Classification List**

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Thailand	A2	A2

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

**THAILAND - ECONOMIC OVERVIEW**

With a relatively well-developed infrastructure, a free-enterprise economy, and generally pro-investment policies, Thailand is highly dependent on international trade, with exports accounting for about two-thirds of GDP. Thailand's exports include electronics, agricultural commodities, automobiles and parts, and processed foods. The industry and service sectors produce about 90% of GDP. The agricultural sector, comprised mostly of small-scale farms, contributes only 10% of GDP but employs about one-third of the labor force. Thailand has attracted an estimated 3.0-4.5 million migrant workers, mostly from neighboring countries.

Over the last few decades, Thailand has reduced poverty substantially. In 2013, the Thai Government implemented a nationwide 300 baht (roughly \$10) per day minimum wage policy and deployed new tax reforms designed to lower rates on middle-income earners.

Thailand's economy is recovering from slow growth during the years since the 2014 coup. Thailand's economic fundamentals are sound, with low inflation, low unemployment, and reasonable public and external debt levels. Tourism and government spending - mostly on infrastructure and short-term stimulus measures - have helped to boost the economy, and The Bank of Thailand has been supportive, with several interest rate reductions.

Over the longer-term, household debt levels, political uncertainty, and an aging population pose risks to growth.

Source : CIA

## ***COMPANY NAME***

**K.G.K. DIAMONDS CO., LTD.**

## ***SUMMARY***

**BUSINESS ADDRESS** : 29<sup>TH</sup> FLOOR, GEMS TOWER,  
1249/196 CHAROENKRUNG ROAD, SURIYAWONGSE,  
BANGRAK, BANGKOK 10500, THAILAND

**TELEPHONE** : [66] 2267-4528-9, 2267-4629

**FAX** : [66] 2267-4530

**E-MAIL ADDRESS** : kgk.diabkk@kgkmail.com

**REGISTRATION ADDRESS** : SAME AS BUSINESS ADDRESS

**ESTABLISHED** : 2001

**REGISTRATION / TAX ID NO.** : 0105544028744

**CAPITAL REGISTERED** : BHT. 60,000,000

**CAPITAL PAID-UP** : BHT. 60,000,000

**SHAREHOLDER'S PROPORTION** : THAI : 99.96%  
INDIAN : 0.04%

**FISCAL YEAR CLOSING DATE** : MARCH 31

**LEGAL STATUS** : PRIVATE LIMITED COMPANY

**EXECUTIVE** : MR. HEMCHAND SURANA, INDIAN  
MANAGING DIRECTOR

**NO. OF STAFF** : 10

**LINES OF BUSINESS** : DIAMONDS AND GEMSTONES  
IMPORTER, DISTRIBUTOR AND EXPORTER

## **CORPORATE PROFILE**

**OPERATING TREND** : STABLE

**PRESENT SITUATION** : OPERATING NORMALLY

**REPUTATION** : GOOD WITH NORMAL BUSINESS ENGAGEMENT

**MANAGEMENT STANDARD** : MANAGEMENT WITH FAIR PERFORMANCE

## **HISTORY**

The subject was established on March 22, 2001 as a private limited company under the name style K.G.K. DIAMONDS CO., LTD., by Thai and Indian groups, with the objective to be engaged in diamond trading business. It currently employs 10 staff.

Presently, the subject is a wholly owned subsidiary of K.G.K. Holdings (Thailand) Co., Ltd., which is a member of KGK group of companies, the leading in diamonds and jewelry manufacturing and trading business in India.

The subject's registered address is 29<sup>th</sup> Flr., Gems Tower, 1249/196 Charoenkrung Rd., Suriyawongse, Bangrak, Bangkok 10500, and this is the subject's current operation address.

#### **THE BOARD OF DIRECTORS**

<u>Name</u>	<u>Nationality</u>	<u>Age</u>
Mr. Hemchand Surana	Indian	56
Mr. Sanjay Navrattan Kothari	Indian	54

#### **AUTHORIZED PERSON**

One of the above directors can sign on behalf of the subject with company's affixed.

#### **MANAGEMENT**

**Mr. Hemchand Surana** is the Managing Director.  
He is Indian nationality with the age of 56 years old.

#### **BUSINESS OPERATIONS**

The subject is engaged in trading business, e.g. importing, distributing and re-exporting wide range of diamonds and gemstones, as well as exporting various kinds of local gemstones, diamonds and jewelry products.

#### **PURCHASE**

80% of the products is imported from India, Republic of China, Russia and South Africa, and the remaining 20% is purchased from local suppliers.

#### **MAJOR SUPPLIERS**

KGK Enterprises Pvt. Ltd.	: India
Star Rough Diamonds Pty. Ltd.	: South Africa
KGK Diamonds (I) Pvt. Ltd.	: India
K.G.K. Gems Ltd.	: Thailand

#### **SALES**

The products are sold to traders and manufacturers both local and international, mainly Hong Kong, United States of America, Japan, India, Singapore, Republic of China, South Africa, Middle East and European countries.

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## **RELATED AND AFFILIATED COMPANY**

### **K.G.K. Gems Ltd.**

Business Type : Importer and exporter of diamonds and gemstones

## **LITIGATION**

### Bankruptcy and Receivership

There are no litigation on bankruptcy and receivership cases filed against the subject found at Legal Execution Department for the past five years.

### Others

There are no legal suits filed against the subject according to the past two years.

## **CREDIT**

Sales are by cash or on the credits term of 30-60 days.

Local bills are paid by cash or on the credits term of 30-60 days.

Imports are by L/C at sight or T/T.

Exports are against T/T.

## **BANKING**

Bangkok Bank Public Co., Ltd.

## **EMPLOYMENT**

The subject employs 10 staff.

## **LOCATION DETAILS**

The premise is rented for administrative office at the heading address. Premise is located in a prime commercial area.

## **COMMENT**

The subject's operating performance in 2017-2018 has seen slow improvement in sales or service income. However, the subject able to maintain a profit for three consecutive years.

Despite consumption improvement in export markets since the previous year, the subject's business growth is at slow pace.

**FINANCIAL INFORMATION**

The capital was registered at Bht. 2,000,000 divided into 20,000 shares of Bht. 100 each.

The capital was increased later as following:

- Bht. 10,000,000 on October 6, 2003
- Bht. 14,000,000 on November 10, 2004
- Bht. 16,000,000 on December 15, 2004
- Bht. 24,000,000 on January 21, 2006
- Bht. 49,000,000 on February 10, 2015
- Bht. 60,000,000 on March 3, 2015

The latest registered capital was increased to Bht. 60,000,000 divided into 600,000 shares of Bht. 100 each with fully paid.

**THE SHAREHOLDERS LISTED WERE : [as at July 31, 2018]**

<u>NAME</u>	<u>HOLDING</u>	<u>%</u>
<b>K.G.K. Holdings (Thailand) Co., Ltd.</b> Nationality: Thai Address : 1249/199 Charoenkrung Road, Suriyawongse, Bangkok	599,800	99.96
<b>Mr. Hemchand Surana</b> Nationality: Indian Address : Jaipur, India	100	0.02
<b>Mr. Hemant Sharma</b> Nationality: Indian Address : 31/9 Trok Vaitee, Silom, Bangrak, Bangkok	100	0.02

**Total Shareholders : 3**

**Share Structure [as at July 31, 2018]**

<u>Nationality</u>	<u>Shareholders</u>	<u>No. of Share</u>	<u>% Shares</u>
Thai	1	599,800	99.96
Foreign-Indian	2	200	0.04
<b>Total</b>	<b>3</b>	<b>600,000</b>	<b>100.00</b>

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**NAME OF AUDITOR & CERTIFIED PUBLIC ACCOUNTANT NO. :**

Ms. Nongnuch Ouitrakul No. 2241

**BALANCE SHEET [BAHT]**

The latest financial figures published for March 31, 2018, 2017 and 2016 were:

**ASSETS**

<b>Current Assets</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Cash and Cash Equivalents	7,096,143.31	8,456,754.69	24,094,851.53
Trade Accounts and Other Receivable	1,305,424,659.42	1,122,825,519.22	1,037,835,656.50
Inventories	458,888,075.35	561,183,384.51	698,886,338.95
Other Current Assets	41,722.93	65,513.15	60,775.90
<b>Total Current Assets</b>	<b>1,771,450,601.01</b>	<b>1,692,531,171.57</b>	<b>1,760,877,622.88</b>
Investment in Subsidiaries	998,000.00	998,000.00	998,000.00
Property, Plant and Equipment	499,724.56	659,334.96	208,604.97
<b>Total Assets</b>	<b>1,772,948,325.57</b>	<b>1,694,188,506.53</b>	<b>1,762,084,227.85</b>

**LIABILITIES & SHAREHOLDERS' EQUITY [BAHT]**

<b>Current Liabilities</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Trade Accounts and Other Payable	1,007,129,871.57	707,376,229.59	1,039,666,208.95
Short-term Loan	314,063,000.00	346,144,000.00	354,074,000.00
Accrued Income Tax	3,046,034.61	2,826,089.28	2,013,177.79
<b>Total Current Liabilities</b>	<b>1,324,238,906.18</b>	<b>1,146,346,318.87</b>	<b>1,395,753,386.74</b>
Long-term Loan	230,071,000.00	350,000,000.00	187,347,655.00
<b>Total Liabilities</b>	<b>1,554,309,906.18</b>	<b>1,496,346,318.87</b>	<b>1,583,101,041.74</b>

**Shareholders' Equity**

Share capital : Baht 100 par value authorized, issued and fully paid share capital 600,000 shares	60,000,000.00	60,000,000.00	60,000,000.00
Capital Paid	60,000,000.00	60,000,000.00	60,000,000.00

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**K.G.K. DIAMONDS CO., LTD. - 526187**

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Retained Earning - Unappropriated	158,638,419.39	137,842,187.66	118,983,186.11
<b>Total Shareholders' Equity</b>	<b>218,638,419.39</b>	<b>197,842,187.66</b>	<b>178,983,186.11</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,772,948,325.57</b>	<b>1,694,188,506.53</b>	<b>1,762,084,227.85</b>

**PROFIT & LOSS ACCOUNT**

<b>Revenue</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Sales or Services Income	1,643,105,224.05	1,842,664,903.49	1,569,762,805.32
Other Income	11,287.91	27,914.51	29,497.44
<b>Total Revenues</b>	<b>1,643,116,511.96</b>	<b>1,842,692,818.00</b>	<b>1,569,792,302.76</b>
<b>Expenses</b>			
Cost of Goods Sold or Services	1,545,641,625.76	1,773,318,398.23	1,472,648,994.53
Selling Expenses	5,259,694.04	5,557,733.49	1,044,576.00
Administrative Expenses	22,422,683.72	23,781,614.23	23,432,842.11
Other Expenses	31,732,476.97	1,593,244.23	39,048,949.09
<b>Total Expenses</b>	<b>1,605,056,480.49</b>	<b>1,804,250,990.18</b>	<b>1,536,175,361.73</b>
Profit / [Loss] before Financial Cost & Income Tax	38,060,031.47	38,441,827.82	33,616,941.03
Financial Cost	[12,061,652.33]	[14,144,203.97]	[13,581,823.00]
Profit / [Loss] before Income Tax	25,998,379.14	24,297,623.85	20,035,118.03
Income Tax	[5,202,147.41]	[5,438,622.30]	[4,113,319.75]
<b>Net Profit / [Loss]</b>	<b>20,796,231.73</b>	<b>18,859,001.55</b>	<b>15,921,798.28</b>

**FINANCIAL ANALYSIS**

<b>ITEM</b>	<b>UNIT</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>LIQUIDITY RATIO</b>				
CURRENT RATIO	TIMES	1.34	1.48	1.26
QUICK RATIO	TIMES	0.99	0.99	0.76
<b>ACTIVITY RATIO</b>				
FIXED ASSETS TURNOVER	TIMES	3,288.02	2,794.73	7,525.05
TOTAL ASSETS TURNOVER	TIMES	0.93	1.09	0.89
INVENTORY CONVERSION PERIOD	DAYS	108.37	115.51	173.22
INVENTORY TURNOVER	TIMES	3.37	3.16	2.11

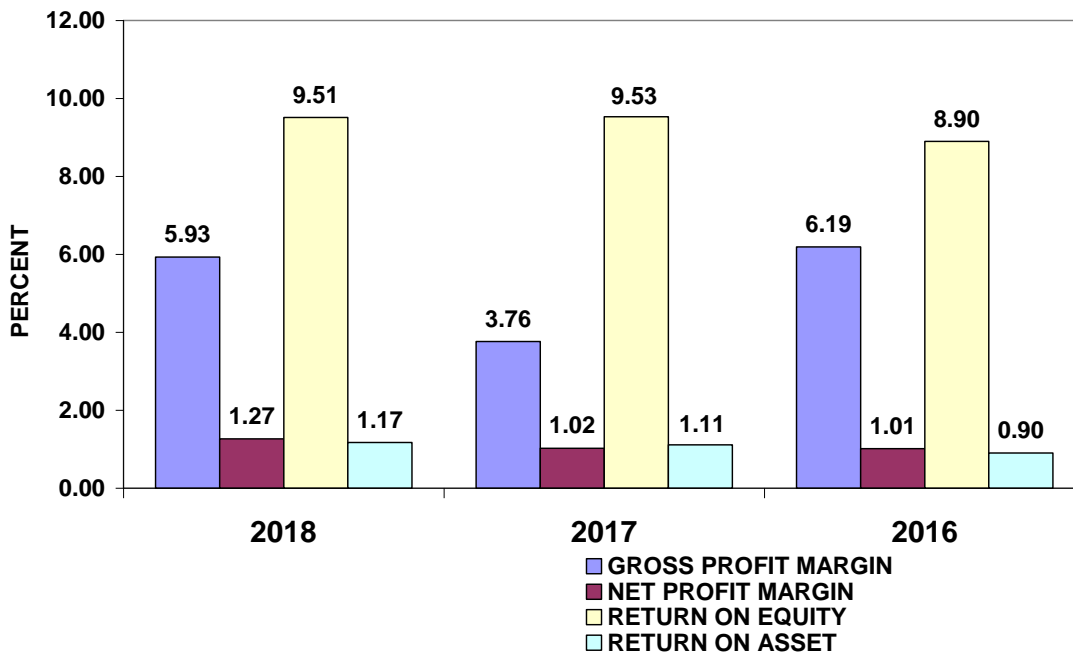
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RECEIVABLES CONVERSION PERIOD	DAYS	289.99	222.41	241.32
RECEIVABLES TURNOVER	TIMES	1.26	1.64	1.51
PAYABLES CONVERSION PERIOD	DAYS	237.83	145.60	257.68
CASH CONVERSION CYCLE	DAYS	160.52	192.32	156.85
<b>PROFITABILITY RATIO</b>				
COST OF GOODS SOLD	%	94.07	96.24	93.81
SELLING & ADMINISTRATION	%	1.68	1.59	1.56
INTEREST	%	0.73	0.77	0.87
GROSS PROFIT MARGIN	%	5.93	3.76	6.19
NET PROFIT MARGIN BEFORE EX. ITEM	%	2.32	2.09	2.14
NET PROFIT MARGIN	%	1.27	1.02	1.01
RETURN ON EQUITY	%	9.51	9.53	8.90
RETURN ON ASSET	%	1.17	1.11	0.90
EARNING PER SHARE	BAHT	34.66	31.43	26.54
<b>LEVERAGE RATIO</b>				
DEBT RATIO	TIMES	0.88	0.88	0.90
DEBT TO EQUITY RATIO	TIMES	7.11	7.56	8.84
TIME INTEREST EARNED	TIMES	3.16	2.72	2.48
<b>ANNUAL GROWTH</b>				
SALES GROWTH	%	(10.83)	17.38	
OPERATING PROFIT	%	(0.99)	14.35	
NET PROFIT	%	10.27	18.45	
FIXED ASSETS	%	(24.21)	216.07	
TOTAL ASSETS	%	4.65	(3.85)	

**ANNUAL GROWTH : ACCEPTABLE**

An annual sales growth is -10.83%. Sales Income has decreased from THB 1,842,664,903.49 in 2017 to THB 1,643,105,224.05 in 2018. While net profit has increased from THB 18,859,001.55 in 2017 to THB 20,796,231.73 in 2018. And total assets has increased from THB 1,694,188,506.53 in 2017 to THB 1,772,948,325.57 in 2018.

**PROFITABILITY : IMPRESSIVE**



**PROFITABILITY RATIO**

Gross Profit Margin	5.93	Impressive	Industrial Average	0.05
Net Profit Margin	1.27	Impressive	Industrial Average	0.79
Return on Assets	1.17	Satisfactory	Industrial Average	1.47
Return on Equity	9.51	Impressive	Industrial Average	5.54

Gross Profit Margin used to assess a firm's financial health by revealing the proportion of money left over from revenues after accounting for the cost of goods sold. Gross profit margin serves as the source for paying additional expenses and future savings. The company's figure is 5.93%. When compared with the industry average, the ratio of the company was higher, indicated that company was more profitable than the same industry.

Net Profit Margin is the indicator of the company's efficiency in that net profit takes into consideration all expenses of the company. A low profit margin indicates a low margin of safety, higher risk that a decline in sales will erase profits and result in a net loss. The company's figure is 1.27% compared with those of its average competitors in the same industry, indicated that business was an efficient operator in a dominant position within its industry.

Return on Assets measures how efficiently profits are being generated from the assets employed in the business when compared with the ratios of firms in a similar business. A low ratio in comparison with industry averages indicates an inefficient use of business assets. When compared with the industry average, it was lower, the company's figure is 1.17%.

Return on Equity indicates how profitable a company is by comparing its net income to its average shareholders' equity, ROE measures how much the shareholders earned for their investment in the company. Return on Equity

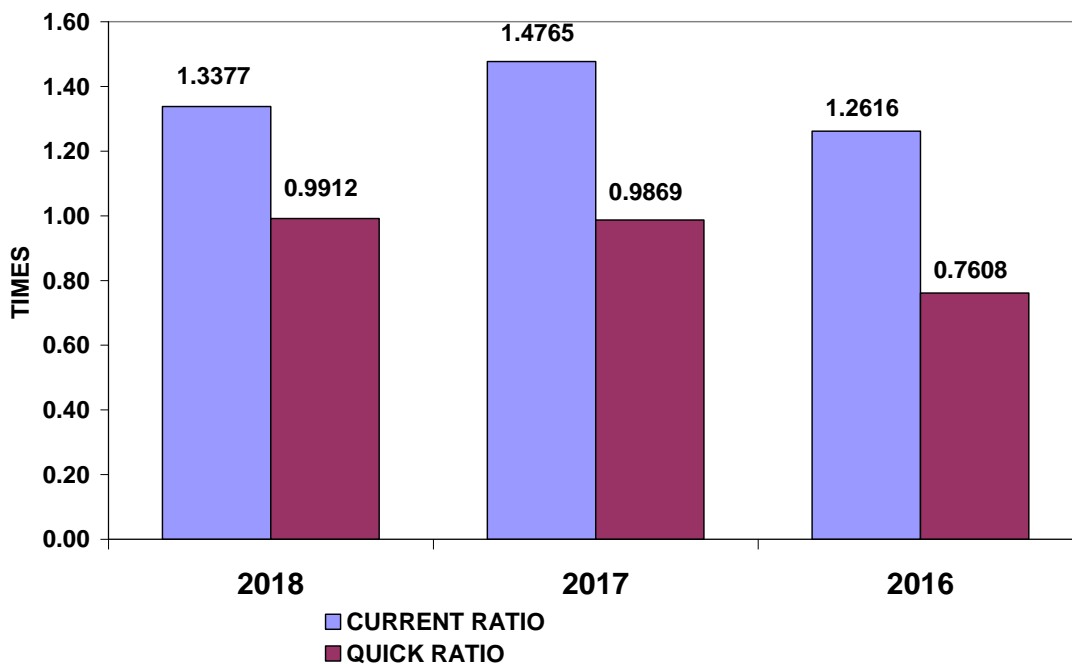
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ratio is 9.51%, higher figure when compared with those of its average competitors in the same industry, indicated that business was an efficient profit in a dominant position within its industry.

**Trend of the average competitors in the same industry for last 5 years**

Return on Assets                      Uptrend  
 Return on Equity                      Uptrend

**LIQUIDITY : ACCEPTABLE**



**LIQUIDITY RATIO**

Current Ratio	1.34	Impressive	Industrial Average	1.33
Quick Ratio	0.99			
Cash Conversion Cycle	160.52			

The Current Ratio is to ascertain whether a company's short-term assets are readily available to pay off its short-term liabilities. The company's figure is 1.34 times in 2018, decrease from 1.48 times, then it is generally considered to have good short-term financial strength. When compared with the industry average, the ratio of the company was higher, indicated that company was an efficient operator in a dominant position within its industry.

The Quick Ratio is a liquidity indicator that further refines the current ratio by measuring the amount of the most liquid current assets there are to cover current liabilities. The company's figure is 0.99 times in 2018, same figure as 0.99 times in 2017, by excluding inventory, the company may have problems meeting current liabilities.

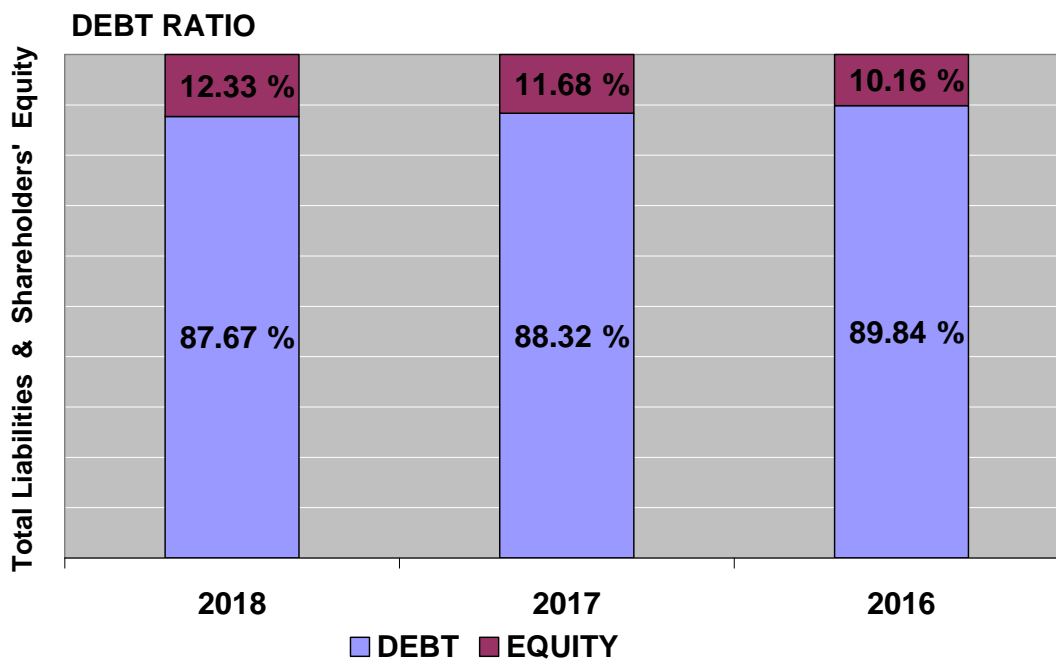
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The Cash Conversion Cycle measures the number of days a company's cash is tied up in the production and sales process of its operations and the benefit from payment terms from its creditors. It meant the company could survive when no cash inflow was received from sale for 161 days.

**Trend of the average competitors in the same industry for last 5 years**

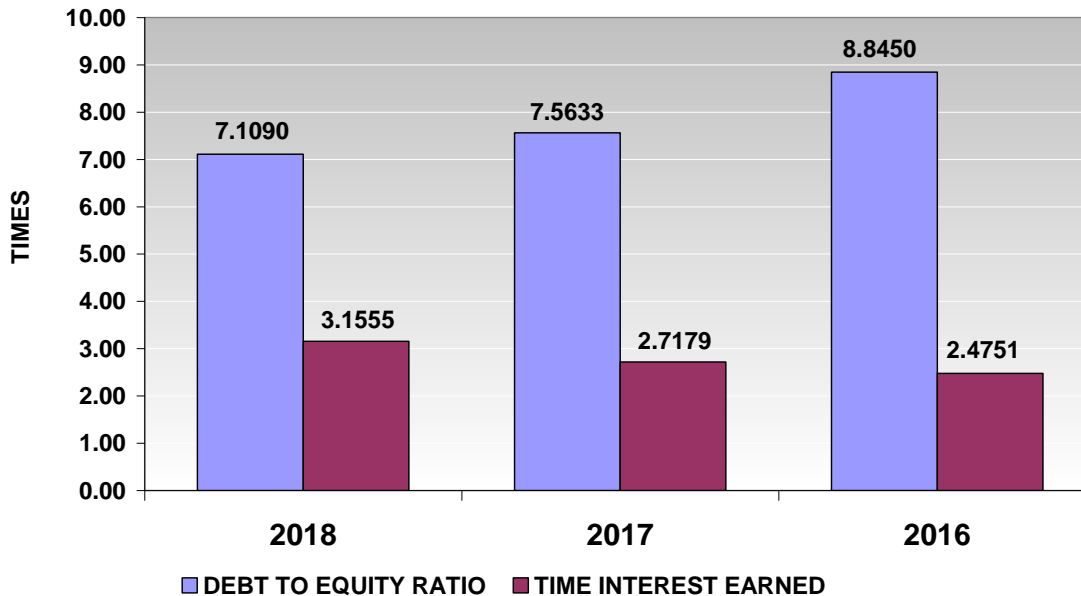
Current Ratio                      Downtrend

**LEVERAGE : ACCEPTABLE**



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**LEVERAGE RATIO**



**LEVERAGE RATIO**

Debt Ratio	0.88	Acceptable	Industrial Average	0.86
Debt to Equity Ratio	7.11	Risky	Industrial Average	4.98
Times Interest Earned	3.16	Impressive	Industrial Average	-

Debt to Equity Ratio a measurement of how much suppliers, lenders, creditors and obligors have committed to the company versus what the shareholders have committed. A higher the percentage means that the company is using less equity and has stronger leverage position.

Times Interest Earned measuring a company's ability to meet its debt obligations. Ratio is 3.16 higher than 1, so the company can pay interest expenses on outstanding debt.

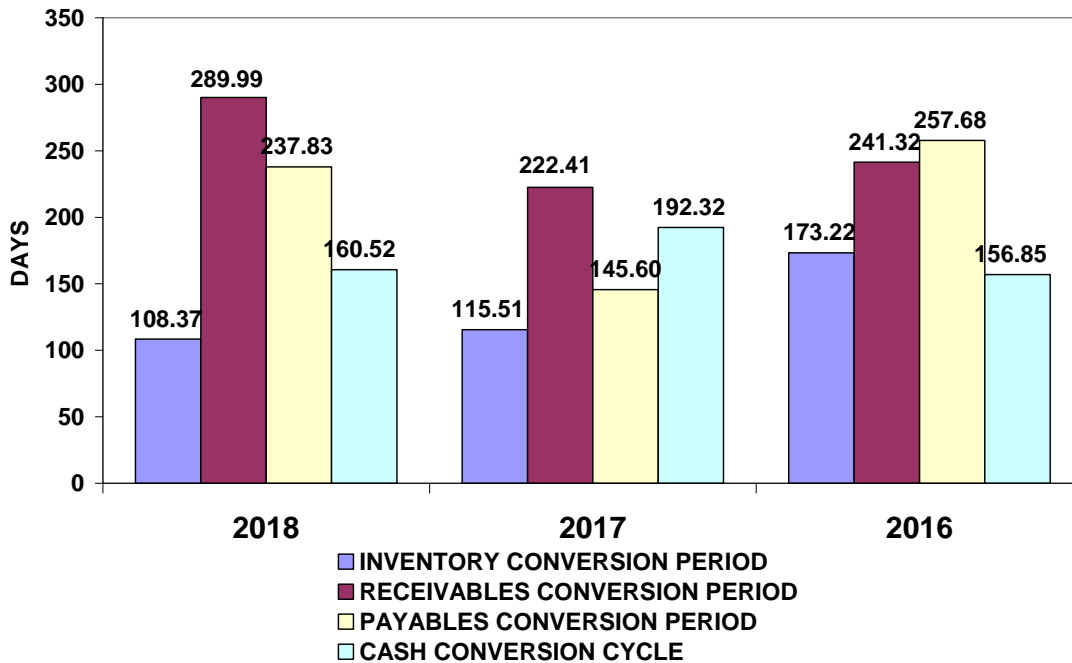
Debt Ratio shows the proportion of a company's assets which are financed through debt. The company's figure is 0.88 greater than 0.5, most of the company's assets are financed through debt.

**Trend of the average competitors in the same industry for last 5 years**

Debt Ratio	Uptrend
Times Interest Earned	Stable

**ACTIVITY : SATISFACTORY**

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**ACTIVITY RATIO**

Fixed Assets Turnover	3,288.02	Impressive	Industrial Average	-
Total Assets Turnover	0.93	Acceptable	Industrial Average	1.86
Inventory Conversion Period	108.37			
Inventory Turnover	3.37	Satisfactory	Industrial Average	4.53
Receivables Conversion Period	289.99			
Receivables Turnover	1.26	Satisfactory	Industrial Average	1.80
Payables Conversion Period	237.83			

The company's Account Receivable Ratio is calculated as 1.26 and 1.64 in 2018 and 2017 respectively. This ratio measures the efficiency of the company in managing its trade debtors to generate revenue. A lower ratio may indicate over extension and collection problems. Conversely, a higher ratio may indicate an overly stringent policy. In this case, the company's A/R ratio in 2018 decreased from 2017. This would suggest the company had deteriorated in the management of its debt collections.

Inventory Turnover in Days Ratio indicates the liquidity of inventory. It estimates the number of days that it will take to sell the current inventory. Inventory is particularly sensitive to change in business activities. The inventory turnover in days has decreased from 116 days at the end of 2017 to 108 days at the end of 2018. This represents a positive trend. And Inventory turnover has increased from 3.16 times in year 2017 to 3.37 times in year 2018.

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The company's Total Asset Turnover is calculated as 0.93 times and 1.09 times in 2018 and 2017 respectively. This ratio is determined by dividing total assets into total sales turnover. The ratio measures the activity of the assets and the ability of the firm to generate sales through the use of the assets.

**Trend of the average competitors in the same industry for last 5 years**

Fixed Assets Turnover	Stable
Total Assets Turnover	Downtrend
Inventory Turnover	Downtrend
Receivables Turnover	Downtrend

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 69.66
UK Pound	1	INR 89.40
Euro	1	INR 80.25
Thai Baht	1	INR 2.14

**Note :** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	PRA
<b>Report Prepared by :</b>	TPT

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)