

MIRA INFORM REPORT

Report No. :	519017
Report Date :	14.07.2018

IDENTIFICATION DETAILS

Name :	SURBHI GEMS
Registered Office :	50, New Mohan Nagar, Matawadi. L.H. Road, Surat – 395006, Gujarat
Tel. No.:	91-261-2547286
Country :	India
Financials (as on) :	31.03.2017
Date of Establishment :	19.05.1998
Capital Investment:	INR 270.046 Million
IEC No.: [Import-Export Code No.]	5298000720
PAN No.: [Permanent Account No.]	AAJFS6821L
GSTN : [Goods & Service Tax Registration No.]	24AAJFS6821L1ZV - Gujarat 27AAJFS6821L1ZP – Maharashtra
Legal Form :	Partnership Concern with an unlimited liability of the partners
Line of Business :	Manufacturer and Supplier of Cut and Polished Diamonds, Exporter OF Cut/Rough Diamonds and Importer of Polished Diamonds. [Confirmed by management]
No. of Employees :	450 (Approximately)

RATING & COMMENTS

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

MIRA's Rating : A

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

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Status :	Satisfactory
Payment Behaviour :	Slow but correct
Litigation :	Clear
Comments :	<p>Subject is a partnership firm established in the year 1998.</p> <p>It is a manufacturer and supplier of Cut and Polished Diamonds and exporter of Cut/ Rough Diamonds and importer of Polished Diamonds.</p> <p>Mr. Bhaskar (Accountant) has claimed that the subject has achieved revenue of INR 1180.000 million for the FY 2018 (Which could not be verified).</p> <p>As per the financial records of 2017, the firm has reported decline in its revenue as compared to previous year but has managed to maintain low profit margin of 0.91%.</p> <p>The satisfactory financial profile of the firm is marked by sufficient capital base along with strong debt coverage indicators due to low debt balance sheet profile.</p> <p>Rating takes into consideration long established track record of the firm.</p> <p>However, rating strengths are partially offset by large working capital cycle and susceptibility of profitability margins to volatility in prices of diamonds and fluctuations in foreign exchange (forex) rates.</p> <p>Business is active. Payment seems to be slow but correct.</p> <p>In view of aforesaid, the firm can be considered for business dealings at usual trade terms and conditions.</p>

NOTES :

Any query related to this report can be made on e-mail : 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)
India	A1	A1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1

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Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

EXTERNAL AGENCY RATING

Rating Agency Name	CRISIL
Rating	Long term: BB-
Rating Explanation	Moderate risk of default.
Date	10.08.2017

Rating Agency Name	CRISIL
Rating	Shor term: A4+
Rating Explanation	Minimal degree of safety and very high credit risk.
Date	10.08.2017

RBI DEFAULTERS' LIST STATUS

Subject's name is not enlisted as a defaulter in the publicly available RBI Defaulters' list.

EPF (Employee Provident Fund) DEFAULTERS' LIST STATUS

Subject's name is not enlisted as a defaulter in the publicly available EPF (Employee Provident Fund) Defaulters' list as of 31-03-2018.

BIFR (Board for Industrial & Financial Reconstruction) LISTING STATUS

Subject's name is not listed as a Sick Unit in the publicly available BIFR (Board for Industrial & Financial Reconstruction) list as of 14.07.2018

IBBI (Insolvency and Bankruptcy Board of India) LISTING STATUS

Subject's name is not listed in the publicly available IBBI (Insolvency and Bankruptcy Board of India) list as of report date.

INFORMATION PARTED BY

Name :	Mr. Bhaskar
Designation :	Accountant
Contact No.:	91-9892699042
Date :	13.07.2018

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LOCATIONS

Registered Office / Factory:	50, New Mohan Nagar, Matawadi. L.H. Road, Surat – 395006, Gujarat, India
Tel. No.:	91-261-2547286
Mobile No.:	91-9892699042 (Mr. Bhaskar)
Fax No.:	91-261-2547286
E-Mail :	surbhigems1998@yahoo.com
Area :	628 Sq. Ft
Location :	Owned
Locality :	Commercial
Branch :	JE 5130, Bharat Diamond Bourse, Bandra Kurla Complex, Bandra (East), Mumbai – 400051, Maharashtra, India
Tel. No.:	91-22-61278680 / 1 / 2 / 3
Fax No.:	91-22-61278684
Area:	314 sq. ft.
Location :	Owned

PARTNERS

Name :	Mr. Vallabhbai M. Khunt
Designation :	Partner
Date of Birth / Age :	60 Years
Qualification:	4 th Standard
Name :	Mr. Lallubhai M. Khunt
Designation :	Partner
Date of Birth / Age :	50 Years
Qualification:	7 th Standard
Name :	Mr. Rameshbhai J. Khunt
Designation :	Partner
Date of Birth / Age :	42 Years
Qualification:	HSC
Name :	Mr. Rajeshbhai J. Khunt
Designation :	Partner
Date of Birth / Age :	42 Years
Qualification:	HSC
Name :	Mr. Rajnikant V. Khunt
Designation :	Partner
Date of Birth / Age :	40 Years
Qualification:	HSC

KEY EXECUTIVES

Name :	Mr. Bhaskar
Designation :	Accountant

BUSINESS DETAILS

Line of Business :	Manufacturer and Supplier of Cut and Polished Diamonds, Exporter OF Cut/Rough Diamonds and Importer of Polished Diamonds. [Confirmed by management]
Products :	Cut and Polished Diamonds
Brand Names :	Not Available
Agencies Held :	Not Available
Exports :	
Products :	Cut and Polished Diamonds
Countries :	<ul style="list-style-type: none"> • United States of America • United Arab Emirates • Hong Kong
Imports :	
Products :	Polished Diamonds
Countries :	<ul style="list-style-type: none"> • Belgium • United Arab Emirates
Terms :	
Selling :	COD (120 Days)
Purchasing :	COD (120 Days)

GENERAL INFORMATION

Suppliers :	<ul style="list-style-type: none"> • Prime Diam (UAE) 	
	Reference :	<ul style="list-style-type: none"> • Glorious Gems (Belgium)
	Name of the Person :	--
	Contact No.:	--
	Since How Long Known :	--
	Maximum Limit Dealt :	--
	Experience :	--
	Remark:	--

Customers :	End Users and Manufacturer	
	<ul style="list-style-type: none"> Sangam Diamonds 	
	Reference :	Blue Gems Limited
	Name of the Person :	--
	Contact No.:	--
	Since How Long Known :	--
	Maximum Limit Dealt :	--
	Experience :	--
	Remark:	--
No. of Employees :	450 (Approximately)	
Bankers :	Banker Name :	Union Bank of India
	Branch :	66, 80, Mumbai Samachar Marg Branch, Post Bag No.: 253 and 518, Fort, Mumbai – 400023, Maharashtra, India
	Person Name (With Designation) :	--
	Contact Number :	91-22-22674938 (Continuously ringing)
	Name of Account Holder :	--
	Account Number :	--
	Account Since (Date/Year of Account Opening) :	--
	Average Balance Maintained :	--
	Credit Facilities Enjoyed (CC/OD/Term Loan) :	--
	Account Operation :	--
	Remark :	--

Auditors :	
Name :	Bharat Patel and Company Chartered Accountants
Address :	Surat, Gujarat, India
Membership No.:	47468
Collaborators :	Not Available
Membership :	Not Available
Sister Concern :	--

CAPITAL STRUCTURE

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AS ON 31.03.2017

Capital Investment :	
Owned :	INR 270.046 Million
Borrowed :	--
Total :	INR 270.046 Million

FINANCIAL DATA
[all figures are INR Million]

Particulars			31.03.2018
Sales Turnover (Approximately)			1180.000

Expected Sales (2018-2019): INR 1300.000 Million (Due to business growth)

The above information has been parted by Mr. Bhaskar (Accountant)

Note: Sole Proprietary and Partnership concerns are exempted from filing their financials with the Government Authorities or Registry Records.

ABRIDGED BALANCE SHEET

SOURCES OF FUNDS	31.03.2017	31.03.2016	31.03.2015
EQUITY AND LIABILITIES			
1] Share Capital	270.046	282.510	257.062
2] Share Application Money	0.000	0.000	0.000
3] Reserves & Surplus	0.000	0.000	0.000
4] (Accumulated Losses)	0.000	0.000	0.000
NETWORTH	270.046	282.510	257.062
LOAN FUNDS			
1] Secured Loans	247.568	255.404	232.210
2] Unsecured Loans	5.000	0.000	0.000
TOTAL BORROWING	252.568	255.404	232.210
DEFERRED TAX LIABILITIES	0.000	0.000	0.000
TOTAL	522.614	537.914	489.272
APPLICATION OF FUNDS			
FIXED ASSETS [Net Block]			
Capital work-in-progress	45.102	50.162	50.175
	0.000	0.000	0.000
INVESTMENT	49.242	41.325	36.727
DEFERREX TAX ASSETS	0.000	0.000	0.000
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	271.487	288.231	206.768
Sundry Debtors	401.720	392.692	422.422
Cash & Bank Balances	9.365	1.609	0.571
Other Current Assets	6.620	1.576	4.169

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Loans & Advances	9.308	7.358	3.699
Total Current Assets	698.50	691.466	637.629
Less : CURRENT LIABILITIES & PROVISIONS			
Sundry Creditors	258.672	242.479	233.784
Other Current Liabilities	0.000	0.000	0.000
Provisions	11.558	2.560	1.475
Total Current Liabilities	270.230	245.039	235.259
Net Current Assets	428.270	446.427	402.370
MISCELLANEOUS EXPENSES	0.000	0.000	0.000
TOTAL	522.614	537.914	489.272

PROFIT & LOSS ACCOUNT

	PARTICULARS	31.03.2017	31.03.2016	31.03.2015
	SALES			
	Income	1112.904	1285.777	1111.190
	Other Income	23.136	0.470	23.815
	TOTAL	1136.040	1286.247	1135.005
		(Due to less order)		
Less	EXPENSES			
	Cost of Goods Sold	1007.772	1131.671	1008.449
	Exchange difference	8.866	20.971	0.000
	Operative Expenses	74.833	89.473	82.970
	Dividend	(0.048)	0.000	0.000
	Donation	1.000	0.251	1.400
	Partner Salary	4.500	4.500	4.500
	Administrative Expenses	27.037	25.805	23.898
	TOTAL	1123.960	1272.671	1121.217
	PROFIT/ (LOSS) BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION	12.080	13.576	13.788
Less	FINANCIAL EXPENSES	(3.254)	(3.332)	(2.040)
	PROFIT / (LOSS) BEFORE TAX, DEPRECIATION AND AMORTISATION	15.334	16.908	15.828
Less/ Add	DEPRECIATION/ AMORTISATION	5.240	5.698	5.619
	NET PROFIT	10.094	11.210	10.209

KEY RATIOS

EFFICIENCY RATIOS

PARTICULARS	31.03.2017	31.03.2016	31.03.2015
Average Collection Days (Sundry Debtors / Income * 365 Days)	131.75	111.48	138.76
Account Receivables Turnover (Income / Sundry Debtors)	2.77	3.27	2.63
Average Payment Days (Sundry Creditors / Purchases * 365 Days)	93.69	78.21	84.62
Inventory Turnover (Operating Income / Inventories)	0.04	0.05	0.07
Asset Turnover (Operating Income / Net Fixed Assets)	0.27	0.27	0.27

LEVERAGE RATIOS

PARTICULARS	31.03.2017	31.03.2016	31.03.2015
Debt Ratio ((Borrowing + Current Liabilities) / Total Assets)	0.66	0.64	0.65
Debt Equity Ratio (Total Liability / Networth)	0.94	0.90	0.90
Current Liabilities to Networth (Current Liabilities / Net Worth)	1.02	0.87	0.92
Fixed Assets to Networth (Net Fixed Assets / Networth)	0.17	0.18	0.20
Interest Coverage Ratio (PBIT / Financial Charges)	(3.71)	(4.07)	(6.76)

PROFITABILITY RATIOS

PARTICULARS		31.03.2017	31.03.2016	31.03.2015
Net Profit Margin ((PAT / Sales) * 100)	%	0.91	0.87	0.92
Return on Total Assets ((PAT / Total Assets) * 100)	%	1.27	1.43	1.41

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Return on Investment (ROI) ((PAT / Networth) * 100)	%	3.74	3.97	3.97
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SOLVENCY RATIOS

PARTICULARS	31.03.2017	31.03.2016	31.03.2015
Current Ratio (Current Assets / Current Liabilities)	2.72	2.99	2.87
Quick Ratio ((Current Assets – Inventories) / Current Liabilities)	1.73	1.81	1.99
G-Score Ratio Financial (Networth / Total Assets)	0.34	0.36	0.35
G-Score Ratio Debt (Debts / Equity Capital)	0.94	0.90	0.90
G-Score Ratio Liquidity (Total Current Assets / Total Current Liabilities)	2.72	2.99	2.87

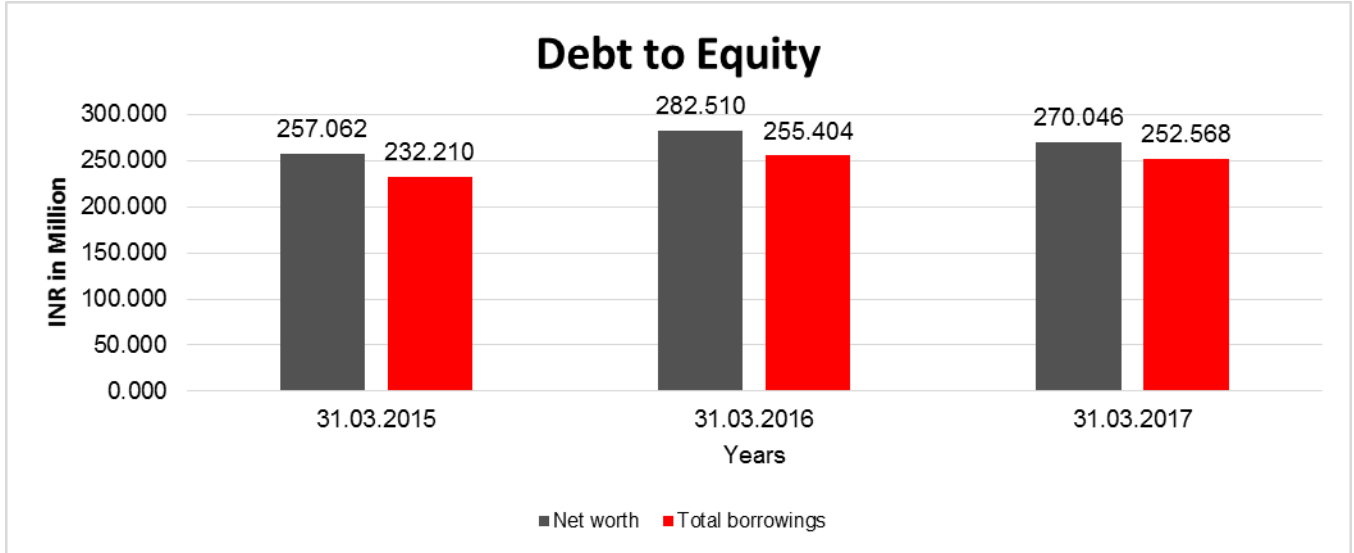
Total Liability = Short-term Debt + Long-term Debt + Current Maturities of Long-term debts

FINANCIAL ANALYSIS
[all figures are INR Million]

DEBT EQUITY RATIO

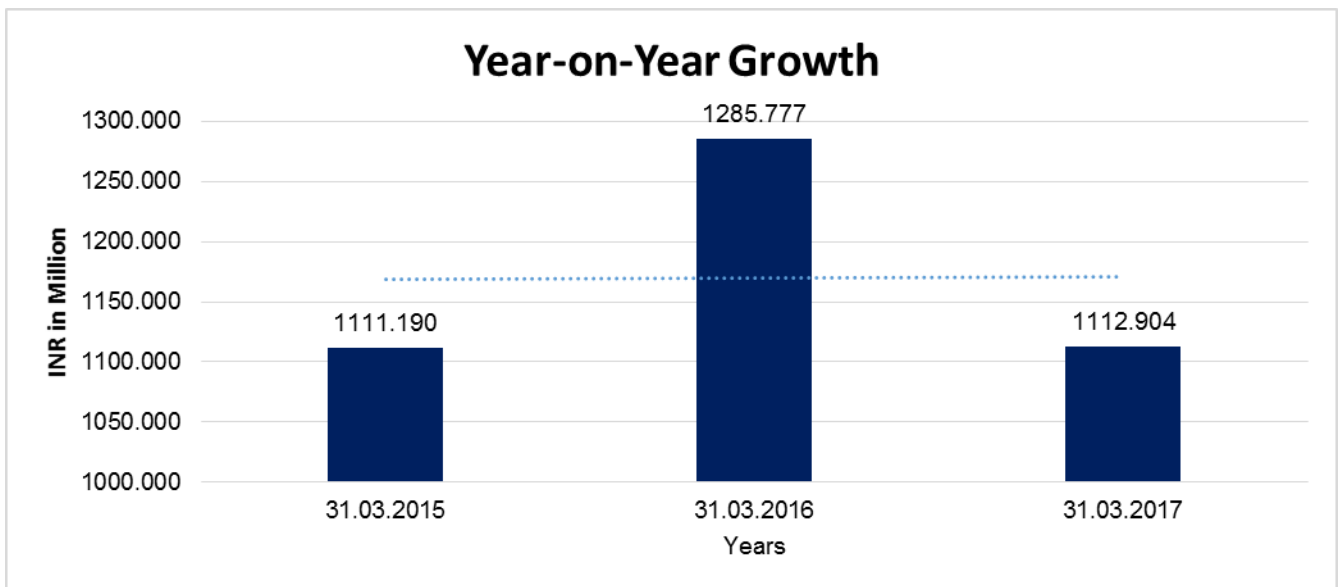
Particular	31.03.2015 INR In Million	31.03.2016 INR In Million	31.03.2017 INR In Million
Share Capital	257.062	282.510	270.046
Reserves & Surplus	0.000	0.000	0.000
Net worth	257.062	282.510	270.046
Secured Loans	232.210	255.404	247.568
Unsecured Loans	0.000	0.000	5.000
Total borrowings	232.210	255.404	252.568
Debt/Equity ratio	0.903	0.904	0.935

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YEAR-ON-YEAR GROWTH

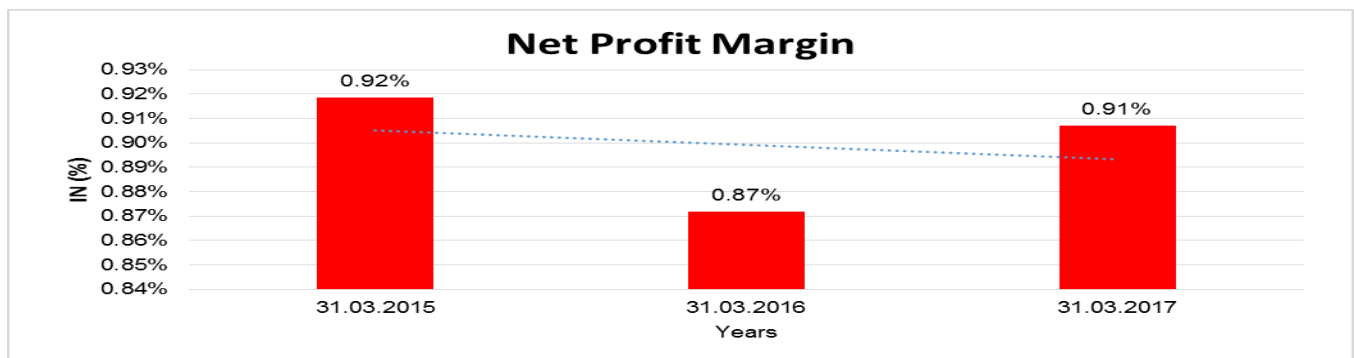
Year on Year Growth	31.03.2016	31.03.2017	31.03.2018
	INR In Million	INR In Million	INR In Million
Sales	1111.190	1285.777	1112.904
		15.712	(13.445)



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NET PROFIT MARGIN

Net Profit Margin	31.03.2015	31.03.2016	31.03.2017
	INR In Million	INR In Million	INR In Million
Sales	1111.190	1285.777	1112.904
Profit/(Loss)	10.209	11.210	10.094
	0.92%	0.87%	0.91%



LOCAL AGENCY FURTHER INFORMATION

Sr. No.	Check list by info agents	Available in Report (Yes/No)
1	Year of establishment	Yes
2	Constitution of the entity -Incorporation details	Yes
3	Locality of the entity	Yes
4	Premises details	Yes
5	Buyer visit details	--
6	Contact numbers	Yes
7	Name of the person contacted	Yes
8	Designation of contact person	Yes
9	Promoter's background	Yes
10	Date of Birth of Proprietor / Partners / Directors	Yes
11	Pan Card No. of Proprietor / Partners	No
12	Voter Id Card No. of Proprietor / Partners	No
13	Type of business	Yes
14	Line of Business	Yes
15	Export/import details (if applicable)	Yes
16	No. of employees	Yes
17	Details of sister concerns	Yes
18	Major suppliers	Yes
19	Major customers	Yes
20	Banking Details	Yes
21	Banking facility details	No

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22	Conduct of the banking account	--
23	Financials, if provided	Yes
24	Capital in the business	Yes
25	Last accounts filed at ROC, if applicable	No
26	Turnover of firm for last four years	Yes
27	Reasons for variation <> 20%	Yes
28	Estimation for coming financial year	Yes
29	Profitability for last three years	Yes
30	Major shareholders, if available	No
31	External Agency Rating, if available	Yes
32	Litigations that the firm/promoter involved in	--
33	Market information	--
34	Payments terms	Yes
35	Negative Reporting by Auditors in the Annual Report	No

DIAMOND INDUSTRY – INDIA

From time immemorial, India is well known in the world as the birthplace for diamonds. It is difficult to trace the origin of diamonds but history says that in the remote past, diamonds were mined only in India. Diamond production in India can be traced back to almost 8th Century B.C. India, in fact, remained undisputed leader till 18th Century when Brazilian fields were discovered in 1725 followed by emergence of S. Africa, Russia and Australia.

The achievement of the Indian diamond industry was possible only due to combination of the manufacturing skills of the Indian workforce and the untiring and unflinching efforts of the Indian diamondaires, supported by progressive Government policies.

The area of study of family owned diamond businesses derives its importance from the huge conglomerate of family run organizations which operate in the diamond industry since many generations.

Some of the basic traits of family run business enterprises include spirit of entrepreneurship, mutual trust lowers transaction costs, small, nimble and quick to react, information as a source of advantage and philanthropy.

Family owned diamond businesses need to improve on many fronts including higher standard of corporate governance, long-term performance – focused strategies, modern management and technology.

Utmost caution is to be exercised while dealing with some medium and large diamond traders which are usually engaged in fictitious import – export, inter-company transactions, financially assisted by banks. In the process, several public sector banks lost several hundred million rupees. They mostly diverted borrowed money for diamond business into real estate and capital markets.

Excerpts from Times of India dated 30th October 2010 is as under –

Gem and Jewellery Export Promotion Council in its statistical data has shown the export of polished diamonds to have increase by 28 % in February 2013. Compared to \$ 1.4 bn worth of polished diamond export in February, 2012, India exported \$ 1.84 billion worth of polished diamonds in February 2013. A senior executive of GJEPC said, “Export of cut and polished diamonds started falling month-wise after the imposition of 2 % of import duty on

the polished diamonds. But February, 2013 has given a new ray of hope to the industry as the export of polished diamonds has actually increased by 28 %. It means the industry is on the track of recovery and round tripping of diamonds has stopped completely." Demand has started coming from the US, the UK, Japan and China. India's polished diamond export is expected to cross \$ 21 bn in 2013-14.

The banking sector has started exercising restraint while following prudent risk management norms when lending money to gems and jewellery sector. This follows the implementation of Basel III accord – a global voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity.

CMT REPORT (Corruption, Money Laundering & Terrorism]

The Public Notice information has been collected from various sources including but not limited to: **The Courts, India Prisons Service, Interpol, etc.**

1] INFORMATION ON DESIGNATED PARTY

No records exist designating subject or any of its beneficial owners, controlling shareholders or senior officers as terrorist or terrorist organization or whom notice had been received that all financial transactions involving their assets have been blocked or convicted, found guilty or against whom a judgement or order had been entered in a proceedings for violating money-laundering, anti-corruption or bribery or international economic or anti-terrorism sanction laws or whose assets were seized, blocked, frozen or ordered forfeited for violation of money laundering or international anti-terrorism laws.

2] Court Declaration :

No records exist to suggest that subject is or was the subject of any formal or informal allegations, prosecutions or other official proceeding for making any prohibited payments or other improper payments to government officials for engaging in prohibited transactions or with designated parties.

3] Asset Declaration :

No records exist to suggest that the property or assets of the subject are derived from criminal conduct or a prohibited transaction.

4] Record on Financial Crime :

Charges or conviction registered against subject: **None**

5] Records on Violation of Anti-Corruption Laws :

Charges or investigation registered against subject: **None**

6] Records on Int'l Anti-Money Laundering Laws/Standards :

Charges or investigation registered against subject: **None**

7] Criminal Records

No available information exist that suggest that subject or any of its principals have been formally charged or convicted by a competent governmental authority for any financial crime or under any formal investigation by a competent government authority for any violation of anti-corruption laws or international anti-money laundering laws or standard.

8] Affiliation with Government :

No record exists to suggest that any director or indirect owners, controlling shareholders, director, officer or employee of the company is a government official or a family member or close business associate of a Government official.

9] Compensation Package :

Our market survey revealed that the amount of compensation sought by the subject is fair and reasonable and comparable to compensation paid to others for similar services.

10] Press Report :

No press reports / filings exists on the subject.

CORPORATE GOVERNANCE

MIRA INFORM as part of its Due Diligence do provide comments on Corporate Governance to identify management and governance. These factors often have been predictive and in some cases have created vulnerabilities to credit deterioration.

Our Governance Assessment focuses principally on the interactions between a company's management, its Board of Directors, Shareholders and other financial stakeholders.

CONTRAVENTION

Subject is not known to have contravened any existing local laws, regulations or policies that prohibit, restrict or otherwise affect the terms and conditions that could be included in the agreement with the subject.

FOREIGN EXCHANGE RATES

Currency	Unit	INR
US Dollar	1	INR 68.41
UK Pound	1	INR 90.07
Euro	1	INR 79.76

INFORMATION DETAILS

Information Gathered by :	RBY
Analysis Done by :	VAR
Report Prepared by :	KVT

SCORE FACTORS

DEMERIT POINTS		
--BANK CHARGES	YES/NO	NO
--LITIGATION	YES/NO	NO
--OTHER ADVERSE INFORMATION	YES/NO	NO
MERIT POINTS		
--SOLE DISTRIBUTORSHIP	YES/NO	NO
--EXPORT ACTIVITIES	YES/NO	NO
--AFFILIATION	YES/NO	NO
--LISTED	YES/NO	NO
--OTHER MERIT FACTORS	YES/NO	YES

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)

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