



Infomerics Valuation and Rating Pvt Ltd

Press Release

Infomerics Valuation and Rating Pvt Ltd has assigned IVR BB/Stable Outlook (pronounced IVR double B with Stable Outlook) to Rs 200 crores unsecured non-convertible debentures of Khandwala Enterprise Pvt Ltd (KEPL). The NCDs are likely to have a tenor of 13 months. Instruments with this rating are considered to have moderate degree of risk for timely repayment of financial obligations and carry moderate credit risk.

The aforesaid rating derives strengths from the established brand of the promoters in the gold refining and trading market, present in both the trading and refining segments, buoyant demand for gold in India and likelihood of transfer of group equity trading business to KEPL in face of recessionary conditions. The rating is however, constrained by the company operating on thin margins, high leverage, newly installed project currently shut down, keyman risk and volatility in international gold prices.

Khandwala Enterprise Pvt Ltd (KEPL), established in 2004 is a part of the Khandwala Group in Ahmedabad. The company is primarily engaged in domestic trading as well as Import / Export of Bullion (Gold / Silver), Jewellery – plain and studded with diamonds, cut and polished diamonds, precious / semi-precious stones and agro commodities in both domestic and international markets. The company diversified into gold refining in FY16.

KEPL has been promoted by the Khandwala Group.

KEPL's business is in the area of trading gold, silver and agro-commodities. In FY16, the company has operationalized a gold refining plant at Rudrapur in Uttarakhand. This has enabled the company to impart some value addition into its business process. Currently, the entire gold trading of the company is undertaken through the refining process in this plant. Bulk of the company's revenue are from gold trading. Around 84% of the company's revenues in FY15 accrued from gold with silver comprising 14%. Currently, production has ceased at the plant as the price of gold in India is at a discount to the international markets. This makes the process of importing gold, refining and the selling it in the domestic markets non-remunerative.

In FY15, the company reported net sales of Rs 4574 crores with EBIDTA margins of 0.2% and net margins of 0.1%. Interest bearing Debt / EBIDTA is 10.5x. In the first 11 months of FY16, the company has reported net sales of Rs. 4600 crores with EBIDTA margins and PBT margins of 0.6% and 0.7% respectively. Given current economic conditions, Infomerics expects stable financial evolution in the near term.

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