

August 11, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	7.00	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA double B**) to the above mentioned bank facility of Komal Exports (KE). The outlook is '**Stable**'. The rating derives comfort from the firm's experienced management, consistent revenue growth and healthy financial risk profile. However, the rating is constrained by the firm's modest scale of operations, working capital intensive nature of business and susceptibility of profitability to fluctuation in diamond prices. The rating is also constrained due to fluctuating forex rates and stiff competition in the gems and jewellery industry.

Outlook: Stable

SMERA believes that KE will continue to benefit over the medium term from the promoters' experience in the diamond industry. The outlook may be revised to 'Positive', if the firm achieves sustained improvement in its profit margins while maintaining healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of a decline in the firm's profit margins. The outlook may also be affected by major deterioration in the firm's capital structure on account of higher-than-expected working capital requirements.

About the Firm

KE, established in 2006, is a Surat-based partnership firm promoted by Mr. Pravinbhai Jasoliya, Mr. Hareshbhai Jasoliya, Mr. Hiteshbhai Jasoliya and others. The firm mainly deals in small diamonds and caters to jewellers and exporters in and around Surat. It imports rough diamonds, processes and sells cut and polished diamonds mainly in the local market.

For FY2014-15, KE reported profit after tax (PAT) of Rs.1.00 crore on operating income of Rs.55.33 crore as compared with PAT of Rs. 0.51 crore on operating income of Rs.27.42 crore for FY2013-14. The firm's net worth stands at Rs.3.94 crore as on March 31, 2015 as compared with Rs.2.62 crore a year earlier.

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