



Press Release
Komal Exports
January 18, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	13.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	23.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.13.00 crore bank facilities of Komal Exports. The outlook is '**Stable**'. Acuite has also assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on additional Rs.10Cr bank facilities of Komal Exports. The outlook is '**Stable**'.

Rationale for reaffirmation of rating:

The rating reaffirmation considers the marginally declined operating revenue during FY23 on account of sluggish demand. The firm has registered revenue of Rs.330Cr in FY23 against Rs.344Cr of previous year. Further, the operating margin remained stable in the range of 2-2.20 percent. The firm has registered revenue of Rs.250Cr till December 2023 and expected to register revenue in the range of Rs.320-330Cr while marginal growth in EBITDA is expected. Rating also draws comfort from the healthy financial risk profile and adequate liquidity of the firm. Going forward the firm's ability in improving the scale of operations and profitability margin while maintaining its capital structure will be a key monitor ble.

About the Company

Komal Exports (KE) is a partnership firm, established in 2006 in Surat. The firm is promoted by Mr. Pravinbhai Jasoliya. The other partners are Mr. Hareshbhai Jasoliya, Mr. Hiteshbhai Jasoliya, Mr. Keshavbhai Jasoliya and Mr. Hardik Jasoliya. KE is engaged in import of rough diamond, processing and selling of Cut & Polished Diamonds of clarity SI1, SI2. In addition to this, the firm is also engaged in trading of rough diamonds from one source to other. The firm exports polished diamonds to countries such as Hong Kong, Belgium, New York, Thailand and UAE. In addition to this, KE also sells the same in domestic market; majorly in Mumbai.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of KE to arrive at the rating.

Key Rating Drivers

Experience management

The partners, Mr. Pravinbhai Jasoliya, Mr. Hareshbhai Jasoliya, Mr. Hiteshbhai Jasoliya, Mr. Keshavbhai Jasoliya and Mr. Hardik Jasoliya, have experience of more than a decade in the diamond industry. The extensive experiences of the partners have helped KE to secure orders from existing and new customers. Acuité believes that the firm will continue to benefit from the promoters' experience and established presence in improving its business risk profile over the medium term.

Stable operating performance, albeit slight decline in revenue

The firm's revenue has declined by 4 percent during FY23 as it has reported revenue of Rs.330.04Cr in the year against revenue of Rs.344.62Cr of FY22. The decline in revenue is due to sluggish demand during the year. The firm's EBITDA margin has marginally improved to 2.18 percent in FY23 against 2.07 times of previous year. As the firm is engaged in trading activity as well, the commission charges, stiff competition with other established players and increased raw material cost have been keeping the margins at moderate levels over the past 2 years. The firm has reported sales of Rs.250Cr till December 2023 and expected to register revenue in the range of Rs.320 to Rs.330Cr by the end of FY24.

Healthy financial risk profile

Komal exports financial profile is healthy as marked by moderate net worth, low gearing and comfortable coverage indicators. The firm's net worth position stood at Rs 30.46Cr as on March 31, 2023 as against Rs.27.98 Cr as on March 31, 2022. Improvement in net worth is primarily on account of addition of profits to the reserves however, partners have withdrawn Rs.2.3Cr from their capital account during FY23. The capital structure remained moderate with gearing less than 0.50 times and Total Outside Liabilities to Tangible Net Worth (TOL/ TNW) stood high at 3.23 times as on March 31, 2023 due to high creditors. The firm's coverage indicators are comfortable indicated by interest coverage ratio (ICR) 3.19 times and Net Cash Accruals (NCA)/Total Debt (TD) stood at 0.71 times for FY23 vis-à-vis 0.61 times in FY22. Debt service coverage ratio stood at 3.19 times during FY23 against 3.42 times of previous year. Acuité believes that financial risk profile will remain healthy over the medium term, supported by healthy accrual, nil long-term debt, and no significant debt-funded capital expenditure plans in near future.

Weaknesses

Moderate working capital operations:

The working capital operation of Komal exports is moderate which is evident from Gross Current Assets (GCA) of 133 days during FY23. The moderate GCA days is on account of high value of inventory as the firm has to maintain inventory raw material inventory 45 to 60 days in order to ensure smooth flow of operations. The firm allows credit period in the range of 45- 60 days to its customers and enjoys credit period of 90-120 days' credit period from most of its supplier's while payment for raw material purchased through auctions will be made upfront. The moderate GCA days has resulted in moderate utilization of its fund based working capital limits at an average of ~65percent during past 6 months ending December 2023. Acuite believes that working capital operations of the firm will continue to be moderate on account of nature of its business.

Susceptibility of its profitability margins to volatility in diamond prices and fluctuation in forex rates

KE operates in highly competitive and fragmented industry characterized by large number of unorganized players, thereby affecting margins. Further, as KE is also engaged in export, it is also vulnerable to fluctuation in foreign exchange rates.

Risk of capital withdrawal

The firm is exposed to the risk of capital withdrawal considering its partnership constitution. During FY23 the partners have withdrawn Rs.2.3Cr from their capital account. Any further significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation in working capital operations leading to deterioration of financial risk profile and liquidity position.

Liquidity Position: Adequate

Komal exports has adequate liquidity marked by adequate net cash accruals against its nil maturing debt obligations and moderate bank limit utilisation. The company generated cash accruals of Rs.5.03 Cr during FY23 against the nil debt repayment obligation. The cash accruals are estimated to remain around Rs.6 Cr to 7.5 Cr during 2024-26 with miniscule debt repayment obligations for the same period. The firm's working capital operations are moderate intensive with GCA of about 133 days in FY23; comfortable cash accruals led to moderate reliance on working capital borrowings at 65 per cent during the last 6 months period ended December, 2023. The firm has low unencumbered cash and bank balances of Rs.0.03 Cr as on March 31, 2023. The current ratio stood moderate at 1.25 times as on March 31, 2023. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of healthy cash accruals against its miniscule repayment obligations and its internal accruals and liquid surplus to be sufficient to meet its incremental working capital requirements.

Outlook: Stable

Acuité believes that the company will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability level and margin, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than expected working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	330.04	344.62
PAT	Rs. Cr.	4.78	4.81
PAT Margin	(%)	1.45	1.40
Total Debt/Tangible Net Worth	Times	0.23	0.30
PBDIT/Interest	Times	3.19	3.42

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Oct 2022	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Reaffirmed)
12 Aug 2021	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karnataka Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BBB- Stable Reaffirmed
Karnataka Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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