

Kakadiam: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	7.50	SMERA BB/Stable (Assigned)
Term Loan	1.33	SMERA BB/Stable (Assigned)
Proposed Facility	0.67	SMERA BB/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.9.50 crore long term bank facilities of Kakadiam. The outlook is '**Stable**'. The rating draws support from the experienced management, above average financial risk profile and comfortable working capital operations. However, the rating is constrained by the low profitability and the highly competitive gems and jewellery industry.

Kakadiam, established in 2007 is engaged in the trading of diamonds. The Director, Mr. Pravinbhai Kakadiya possesses around a decades experience in the gems and jewellery industry. The firm registered increase in revenue from Rs.59.97 crore in FY2015 to Rs.92.30 crore in FY2016, a year-on-year increase of 53.92 percent. The above average financial risk profile is marked by gearing of 0.39 times, interest coverage of 1.89 times and DSCR of 1.17 times as on March 31, 2016. The financial risk profile is expected to remain above average over the medium term backed by steady accruals and no major debt funded capex plan. Also, the net worth stood at Rs.13.47 crore in FY2016 against Rs.3.94 crore in FY2015 because of retention of profits and capital infusion of Rs.9.53 crore. The comfortable working capital operations are marked by WC days of 38 in FY2016 against 32 in FY2015. This is mainly because of efficient management of receivables. The debtor days stood at 21 in FY2016 against 43 in the previous year.

However, the ratings are constrained by the fact that despite high scale of operations the profitability is low due to the trading nature of business. The PAT margins stood at 0.43 percent in FY2016 against 0.38 percent in FY2015. The rating is also constrained by the intense competition in the gems and jewellery industry.

Rating Sensitivity Factors

- Sustained improvement in revenue
- Effective working capital management
- Improvement in profitability levels

Outlook – Stable

SMERA believes that Kakadiam will maintain a stable outlook in the medium term backed by its promoters' experience and above average financial risk profile. The outlook may be revised to 'Positive' if the firm registers more than expected revenues while achieving better profitability. However, the outlook may be revised to 'Negative' if the firm fails to achieve the expected revenues, profitability or if the working capital cycle deteriorates.

Criteria applied to arrive at the rating:

- Trading Entities

About the Firm

Kakadiam was established in 2007 as a partnership firm by Mr. Pravinbhai Kakadiya and family in Surat, Gujarat. The firm imports rough diamonds from Belgium and Dubai to process and sell the same in the domestic market. The manufacturing facilities are located in Surat, Gujarat.

For FY2016, Kakadiam reported profit after tax (PAT) of Rs.0.40 crore on operating income of Rs.92.30 crore as compared with (PAT) of Rs.0.23 crore on operating income of Rs.59.97 crore in the previous year.

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ABOUT SMERA

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