

Press Release

Kakadiam

November 04, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.9.50 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.9.50 crore bank facilities of Kakadiam.

The rating has been withdrawn on account of request received from the company and NOC received from the banker as per Acuité's policy.

Kakadiam was established as a partnership firm by Kakadiya family in Surat, Gujarat. The firm is engaged in the manufacturing and polishing of small diamonds. The firm imports rough diamonds from Belgium and Dubai and then goes for cleaving, polishing, assortment, lotting process and finally makes the finished product. In domestic market, sales are made in places like Mumbai and Surat.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Kakadiam to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

Kakadiam was established in 2007 as a partnership firm by Kakadiya family in Surat, Gujarat. The management of the firm has experience of more than a decade in the given line of business. Mr. Pravinbhai K. Kakadiya, the founder of the firm, has worked in the diamond industry since 2000. The day to day operations of the firm is managed by Mr. Pravinbhai.K. Kakadiya, who is well supported by experienced and qualified professionals.

- **Modest financial risk profile**

The financial risk profile of the firm is moderate marked by moderate tangible net worth of Rs.18.73 crore as on 31 March, 2020 (provisional) as compared to Rs.20.48 crore same period last year. The gearing level of the firm remained low at 0.77 times as on 31 March, 2020 (provisional) as compared to 0.57 times as on 31 March, 2019 on account of low debt levels of the firm which stood at Rs.14.36 crore as on 31 March, 2020 (prov.). Interest Coverage Ratio decreased to 3.80 times in FY2020 (provisional) as against 5.07 times in FY2019. The net cash accruals have decreased to Rs.5.85 crore in FY2020 (provisional) as compared to Rs.6.26 crore in FY2019. The NCA/TD ratio remained almost at the same level of 0.41 times in FY2020 (provisional) as compared to 0.54 times in FY2019.

Weaknesses

- **Working capital intensive operations**

The working capital operations of the firm remained intensive marked by high GCA days of 132 days in FY2020 (provisional) compared to 113 days in FY2019. The inventory and debtors days of the company stood at 95 days and 34 days in FY2020 (provisional) as against 77 days and 30 days same period last year respectively. Subsequently, there was an increase in payables period from 125 days in FY2019 to 144 days in FY2020 (provisional). The working capital requirement of the firm is supported by bank lines which has been utilized around 70 percent in the last six months ended September, 2020.

- **Strong competition from large number of players in the industry**

The Gems & Jewellery (G&J) industry is characterized by the presence of a large number of

organized and unorganized players and high competition amongst them, leading to pressure on margins. There are more than 6,000 players in the diamond-processing industry. The diamond industry in India is primarily export oriented.

Liquidity Position: Adequate

The firm has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.5.85 crore for FY2020 (provisional) while its maturing debt obligations were Rs.0.85 crore for the same period. Further, the average bank limit utilization remains moderate at around 70 percent in the last six months ended September, 2020. The firm maintains unencumbered cash and bank balances of Rs.0.52 crore as on 31, March, 2020 (provisional). The current ratio stood at 1.23 times as on 31 March, 2020 (provisional).

Rating Sensitivities

Not Applicable

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	180.52	204.98
PAT	Rs. Cr.	3.66	3.78
PAT Margin	(%)	2.03	1.85
Total Debt/Tangible Net Worth	Times	0.77	0.57
PBDIT/Interest	Times	3.80	5.07

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Sep-2020	Cash Credit	Long Term	7.50	ACUITE BB- (Downgraded from ACUITE BB) Issuer not co-operating*
	Term Loan	Long Term	1.33	ACUITE BB- (Downgraded from ACUITE BB) Issuer not co-operating*
	Proposed Working Capital Loan	Long Term	0.67	ACUITE BB- (Downgraded from ACUITE BB) Issuer not co-operating*
11-June-2019	Cash Credit	Long Term	7.50	ACUITE BB Issuer not co-operating*
	Term Loan	Long Term	1.33	ACUITE BB

				Issuer not co-operating*
	Proposed Working Capital Loan	Long Term	0.67	ACUITE BB Issuer not co-operating*
21-Mar-2018	Cash Credit	Long Term	7.50	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	0.75	ACUITE BB/Stable (Reaffirmed)
	Proposed Working Capital Loan	Long Term	1.25	ACUITE BB/Stable (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Available	Not Applicable	Not Available	7.50	ACUITE BB- (Withdrawn)
Term Loan	Aug, 2013	Not Available	Nov, 2019	1.33	ACUITE BB- (Withdrawn)
Proposed Working Capital Loan	Not Applicable	Not Applicable	Not Applicable	0.67	ACUITE BB- (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta VP - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Nitul Dutta Analyst - Rating Operations Tel: 022-49294053 nitul.dutta@acuite.in	

About Acuité Ratings & Research:

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