

**KARP Impex Limited: Reaffirmed**

Facilities	Amount (Rs. Crore)	Rating/Outlook
Export Packing Credit	399.90	SMERA BBB/ Stable (Reaffirmed)
Export Packing Credit	23.35	SMERA BBB/ Stable (Reaffirmed; Withdrawn)
Post Shipment Credit	23.35	SMERA BBB/ Stable (Reaffirmed; Withdrawn)
Post Shipment Credit	587.40	SMERA BBB/ Stable (Reaffirmed)
Export Packing Credit/ Post Shipment Credit (proposed)	62.70 (revised from Rs. 16.00 crore)	SMERA BBB/ Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA BBB**' (read as **SMERA triple B**) assigned to the abovementioned bank facilities of KARP Impex Limited (KIL). The outlook is '**Stable**'. Further, SMERA has withdrawn the rating of 'SMERA BBB/Stable' on the Rs. 46.70 crore bank facility of KIL since there are no dues outstanding.

The rating continues to derive support from the company's established position and long track record of operations spanning three decades in the diamond processing business. The rating also factors in the experienced management, strong distribution network, DTC sight holder membership and healthy net worth. However, the rating remains constrained by the working capital-intensive operations and high level of geographical and customer concentration in its revenue profile. The rating also notes the company's exposure to fluctuations in raw material prices.

**Update**

KIL's operating income increased to Rs.2,231.50 crore in FY2015-16, as compared with Rs.2,146.06 crore in FY2014-15. The company's operating margin stood at 3.59 per cent in FY2015-16 as compared to 3.60 per cent in FY2014-15.

KIL's gearing (total debt to equity ratio) improved to 1.70 times as on March 31, 2016 as against 1.86 times as on March 31, 2015. The company's interest coverage ratio remained at 1.82 times in FY2015-16 as compared to 1.83 times in FY2014-15. The debt service coverage ratio (DSCR) remained comfortable at 1.63 times in FY2015-16 as compared to 1.65 times in FY2014-15.

**Rating Sensitivity Factors**

- Sustainable revenue growth amidst subdued demand in key markets
- Improving profitability margin in a highly competitive industry
- Working capital management and bank limit utilisation

**Outlook: Stable**

SMERA believes KIL will continue to benefit over the medium term from its established market position and experienced management. The outlook may be revised to 'Positive' if the company achieves sustained improvement in profit margins while maintaining healthy revenue growth or registers improvement in the working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability or if the company reports high forex losses. The outlook may also be affected by deterioration in the capital structure on account of higher-than-expected debt-funded working capital requirements.

**Criteria Applied to arrive at the rating:**

- Manufacturing Entities

**About the Company**

KIL, a partnership firm established in 1983 was converted to a closely-held public limited company in 1995. The company is engaged in the processing and trading of polished diamonds. It is also a DTC Sightholder since 1993 and one of the few manufacturers for 'Forever' mark diamonds. KIL is an exclusive supplier of patented cut and polished diamonds set in writing instruments and women's accessories manufactured by Mont Blanc. The company derives ~86 per cent of its revenue from manufacturing and processing of cut and polished diamonds with the rest generated from diamond trading. Exports account for ~82 per cent of the company's total sales.

For FY2015-16, KIL reported net profit after tax (PAT) of Rs.17.28 crore on operating income of Rs.2,231.50 crore as against PAT of Rs.15.60 crore on operating income of Rs.2,146.06 crore in FY2014-15. The tangible net worth stood at Rs.524.48 crore in FY2015-16 as against Rs.507.20 crore in the previous year.

**Rating History:**

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating/ Outlook
			Long Term	Short Term	
25 Jul, 2015	Export Packing Credit	423.25	SMERA BBB (Upgraded)	-	Stable
	Post Shipment Credit	610.75	SMERA BBB (Upgraded)	-	Stable
	Export Packing Credit/ Post Shipment Credit (proposed)	16.00	SMERA BBB (Upgraded)	-	Stable
14 Apr, 2014	Export Packing Credit	398.20	SMERA BBB- (Downgraded)	-	Stable
	Post Shipment Credit	551.80	SMERA BBB- (Downgraded)	-	Stable
	Export Packing Credit/ Post Shipment Credit (proposed)	100.00	SMERA BBB- (Assigned)	-	Stable
31 Jan, 2013	Export Packing Credit	339.20	SMERA BBB (Assigned)	-	Stable
	Post Shipment Credit	510.80	SMERA BBB (Assigned)	-	Stable
	Packing Credit (Proposed)/ Post Shipment Credit	100.00	SMERA BBB (Assigned)	-	Stable

**Contacts:**

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

## ABOUT SMERA

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