



**Press Release**  
**KARP IMPEX LIMITED**  
**December 29, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1050.00	ACUITE BBB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1050.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.1050.00 Cr bank facilities of Karp Impex Limited (KIL). The outlook is '**Stable**'.

**Rationale for the rating**

The rating reaffirmation factors in the stable operating performance of the company marked by improvement in operating margins, albeit slight moderation in operating income and healthy financial risk profile. The operating income of the Company stood at Rs.2072.81 Cr. in FY23 as against Rs. 2160.03 Cr. in FY22. The company has its presence in both domestic and international market, with its major revenues being sourced from countries like Hongkong, Dubai and Belgium for FY2023 i.e., ~65% of the total revenue. The company in the current year has recorded revenue of Rs.1340 crore till December 2023. Further, the operating profitability margin improved to 5.67 percent in FY2023 as against 4.16 percent in FY2022. The rating also takes into account healthy financial risk profile and adequate liquidity of the company. Going forward, sustaining the growth in scale of operations while maintaining the profitability margins along with elongation in working capital cycle will be a key rating monitorable.

**About the Company**

Mumbai based Karp Impex limited (KIL) was established as a partnership firm in 1983 by Mr. Anil B. Virani and Mr. Kishore B. Virani. The firm was converted to a closely held public limited company in 1995. KIL is engaged in processing and trading of cut and polished diamonds of size ranging between 4 cents to 3 carat. KIL is a DTC sight certificate holder since 1993, and has manufacturing facilities located in Mumbai and Surat. The company is 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. KIL derives ~70-80 per cent of its revenues from manufacturing and processing of cut and polished diamonds, while the remaining revenues arise from trading of cut and polished diamonds and rough diamonds.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has taken the standalone approach while assessing the business and financial risk profile of KIL to arrive at the rating.

**Key Rating Drivers**

### **Strengths**

Experienced management, established track record of operations and stable

## **operating performance**

KIL started operations in 1983 to process and sell polished diamonds. The promoters, Mr. Anil B. Virani and Mr. Kishore B. Virani have more than 3 decades of experience in the diamond industry. This has helped the company in maintaining good business relations with clients. KIL exports around 65 percent of its total sales primarily in the markets of Hong Kong, Belgium and Dubai and imports around 75 percent of its total requirement of rough diamonds. Further, the company processes 30% of size ranging less than 1 carat cut and polish diamonds, 40% of size ranging from 1-3 carat and the remaining 30% of more than 3 carats. On the back of stable and repeated orders, the operating income of the company stood at Rs. 2072.81 Cr. in FY23 as against Rs.2160.03 Cr. in FY22. The operating margins improved to 5.67 percent in FY2023 as against 4.16 percent in FY2022. The company's net profitability increased to 2.35 percent in FY23 as against 2.28 percent in FY22. The growth is attributable to steady recovery of demand in key export markets of USA, Europe, Israel and Hongkong. KIL's operating income stood at Rs. 1340 Cr till December 2023.

Acuité believes the experience of the promoters and overall industry trend will help the company in maintaining their business risk profile over the near to medium future.

## **Healthy financial risk profile**

The financial risk profile of the company stood healthy, marked by healthy net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.809 crore as on 31 March 2023 as against Rs.760 crore as on 31 March, 2022. The total debt of the company stood at Rs.572.93 crore which includes short-term debt as on 31 March, 2023. The gearing (debt-equity) of the company stood at 0.71 times as on 31 March 2023 as compared to 0.66 times as on 31 March, 2022. Interest Coverage Ratio of the company stood at 2.45 times for FY2023 as against 4.20 times for FY2022. Debt Service Coverage Ratio (DSCR) of the company stood at 1.95 times in FY2023 as against 1.91 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) of the company stood at 0.91 times as on 31 March, 2023 as against 0.75 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) of the company stood at 0.09 times for FY2023 as against 0.11 times for FY2022.

Acuité expects the financial risk profile to remain healthy over the medium term on account of no major debt-funded capex plan over the medium term.

## **Weaknesses**

### **Working capital intensive nature of operations**

The company's operations are working capital intensive in nature marked by GCA days of 260 days as on March 31, 2023 as against 214 days as on March 31, 2022. The GCA days are driven by debtor days and inventory days. The debtor days stood at 126 days as on March 31, 2023 as against 91 days as on March 31, 2022. The company receives credit period of 120 days to its customers. The inventory days stood at 138 days in FY2023 as against 123 days in FY2022. The company always maintains ~4-5 months of inventory on an average. The creditor days increased to 27 days in FY2023 as against 10 days in FY2022. The company receives credit period of around 30 days from its suppliers.

Acuité believes that the working capital management to remain intensive over the medium term.

### **Susceptibility of profitability margins to volatility in prices of diamonds and fluctuations in forex risk**

Due to high inventory holding period, the Company runs an inherent risk of volatility in raw material prices. The Company imports ~75 percent of its raw material requirement i.e. rough diamonds and its exports range between 60-70 percent of its total sales. The forex risk on exports is largely covered against imports, however, the price volatility risk in rough diamonds threaten the thin profitability margins of the company due to long working capital cycles.

### **ESG Factors Relevant for Rating**

In case of Gems and Jewelry industry, on the social front, labor management issues, such as employee safety & development and employment quality, remain a crucial risk in manufacturing industry. Additionally, key material issues such as responsible procurement, community support & development, product safety & quality, human rights, equal

opportunity & employee development can influence social scores. Further on the environment front, GHG emissions, material efficiency, waste management, environmental management, energy efficiency and green supply chain are significant environmental issues in the manufacturing industry. Additionally, key material issues such as ESG reporting transparency, biodiversity impact and green products can influence environmental scores.

KIL has taken up various initiatives for social and environmental causes. It has provided skill development initiatives to educate and empower the youth. KIL vide its CSR arms provides free housing at Virani Nagar, Jasdan with school, hospital, shopping complex and children playground facilities and continuous healthcare monitoring of employees and workplace.

### **Rating Sensitivities**

- Sustaining the growth in scale of operations while maintaining the profitability margins and capital structure
- Any deterioration in working capital cycle

### **All Covenants**

None

### **Liquidity Position**

#### **Adequate**

The company's liquidity position is adequate, marked by healthy net cash accruals against no maturity debt obligations. The company generated net cash accruals in the range of Rs.18.85-53.86 Crore from FY 2021- 2023. In addition, it is expected to generate sufficient cash accrual in the range of Rs.53.87-55.82 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 260 days in FY2023 as against 214 days in FY2022. The average of utilization of the working capital facilities stood at 80%-90% per cent for past 10 months ended October 2023. The company maintains unencumbered cash and bank balances of Rs.4.07 crore as on March 31, 2023. The current ratio of the company stands at 2.02 times as on March 31, 2023 as against 2.23 times as on 31 March, 2022.

Acuite believes that the liquidity position would be adequate over the medium term on account of moderate cash accruals as against negligible repayment obligations

### **Outlook: Stable**

Acuite believes that KIL will maintain a 'Stable' outlook over medium term on account of extensive experience of its management, stable operating performance and healthy financial risk profile. The outlook may be revised to 'Positive' in case the Company achieves higher than expected improvement in its scale of operations while maintaining its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of slower than expected growth in scale of operations or any further elongation in its working capital cycle impacting its liquidity profile

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	2072.81	2160.03
PAT	Rs. Cr.	48.76	49.24
PAT Margin	(%)	2.35	2.28
Total Debt/Tangible Net Worth	Times	0.71	0.66
PBDIT/Interest	Times	2.45	4.20

### 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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Sep 2022	Proposed Packing Credit	Long Term	448.38	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Packing Credit	Long Term	62.94	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	52.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	25.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Packing Credit	Long Term	35.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	15.79	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	93.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	23.60	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Packing Credit	Long Term	10.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Packing Credit	Long Term	64.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Packing Credit	Long Term	17.40	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	94.36	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Packing Credit	Long Term	34.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	7.80	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Packing Credit	Long Term	10.53	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Packing Credit	Long Term	5.20	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	51.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
30 Nov 2021	Post Shipment Credit	Long Term	94.36	ACUITE BBB-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	7.80	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	5.20	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	64.00	ACUITE BBB-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	15.79	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	17.40	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	35.00	ACUITE BBB-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	93.00	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	34.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Packing	Long		

	Credit	Term	433.38	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	15.00	ACUITE BBB-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	51.00	ACUITE BBB-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	25.00	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	10.53	ACUITE BBB-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	23.60	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	62.94	ACUITE BBB-   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	52.00	ACUITE BBB-   Stable (Reaffirmed)
31 Aug 2020	Packing Credit	Long Term	379.38	ACUITE BBB-   Negative (Downgraded from ACUITE BBB   Negative)
	Post Shipment Credit	Long Term	521.12	ACUITE BBB-   Negative (Downgraded from ACUITE BBB   Negative)
	Proposed Packing Credit	Long Term	149.50	ACUITE BBB-   Negative (Downgraded from ACUITE BBB   Negative)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB   Stable   Reaffirmed
Exim Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	10.53	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	118.65	ACUITE BBB   Stable   Reaffirmed
Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	34.00	ACUITE BBB   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	5.20	ACUITE BBB   Stable   Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE BBB   Stable   Reaffirmed
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	17.40	ACUITE BBB   Stable   Reaffirmed
RBL Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BBB   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	23.60	ACUITE BBB   Stable   Reaffirmed
Union Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	87.00	ACUITE BBB   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.80	ACUITE BBB   Stable   Reaffirmed
Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	51.00	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	118.65	ACUITE BBB   Stable   Reaffirmed



IDBI Bank Ltd.	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB   Stable   Reaffirmed
Exim Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.47	ACUITE BBB   Stable   Reaffirmed
Axis Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	52.00	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	343.70	ACUITE BBB   Stable   Reaffirmed

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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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