



**Press Release**  
**KARP IMPEX LIMITED**  
**March 26, 2025**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1050.00	ACUITE BBB-   Stable   Downgraded	-
Total Outstanding Quantum (Rs. Cr)	1050.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating to '**ACUITÉ BBB-**' (read as **ACUITÉ Triple B Minus**) from '**ACUITÉ BBB**' (read as **ACUITÉ Triple B**) on the Rs. 1050.00 Cr. bank facilities Karp Impex Limited (KIL). The outlook is “**Stable**”.

**Rationale for Downgrade**

The rating factors the declining operating performance of the company marked by declining turnover in the last 3 fiscal years, albeit stable operating margins and slight moderation in net profit margin. The operating income of the company stood at Rs. 1852.59 Cr. in FY24 as against Rs. 2072.81 Cr. in FY23. The decline in turnover has largely been due to overall decline in the natural diamond industry and the shift in demand towards Lab Grown Diamonds. 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 FY24 i.e., ~65% of the total revenue. The company in the current year has recorded revenue of Rs. 983.22 Cr. till 9MFY25. Further, the operating profit margin remained stable at 5.72% in FY24 as against 5.67% in FY23. The rating also considers a healthy financial risk profile and adequate liquidity of the company. The rating draws comfort from experienced management and established track record of operations. However, the rating remains constrained due to the elongated working capital cycle.

**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 cut & polished diamonds of size ranging between 4 cents to 3 carats. KIL has been 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**

Acuité 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

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 from Botswana, Hong Kong and Dubai. Acuité believes that despite the scale of operations declining, the business would continue to benefit from the experienced management over the medium term.

#### Healthy Financial Risk Profile

The financial risk profile of the company stood healthy, marked by low gearing and comfortable debt protection metrics. The tangible net-worth of Rs. 847.48 Cr. as on 31st March 2024 against Rs. 808.68 Cr. as on 31st March 2023. The improvement can be attributed to ploughing back of profits. The total debt of the company is Rs. 572.53 Cr. as on 31st March 2024 against Rs. 572.93 Cr. as on 31st March 2023. The gearing stands low at 0.68 times in FY24 against 0.71 times in FY23. Further, the interest coverage ratio of the company stood at 2.09 times in FY24 against 2.45 times in FY23. The debt service coverage ratio stood at 1.82 times in FY24 against 1.95 times in FY23. The TOL/TNW stood at 0.79 times in FY24 against 0.91 times in FY23. Acuité believes that the financial risk profile of KIL is likely to remain healthy over the medium term.

### Weaknesses

#### Decline in scale of operations and moderation in profitability margins

The company have achieved a revenue of Rs. 1852.59 Cr. in FY24 against Rs. 2072.81 Cr. in FY23. The decrease of 10.62% is attributed to the overall decline of the diamond manufacturing industry because of the introduction of a substitute product “Lab Grown Diamonds”, reduced demand in major export destinations (America & China) and supply side issues such as G7 Sanctions on Russian origin diamonds. The EBITDA margins of the company stood at 5.72% in FY24 as compared to 5.67% in FY23. The PAT margins of the company stood at 2.04% in FY24 as compared to 2.35% in FY23. The decrease in PAT was because of the increase in interest costs. The topline of the company for 9MFY2025 is Rs. 983.22 Cr. Acuité believes that KIL is likely to observe moderation in profitability margins and is likely to face challenges to maintain the topline on account of decreased demand of natural diamonds in the national & international markets coupled with the entry of the lab grown diamonds.

#### Intensive Working Capital Operations

The working capital operations of the company remained intensive marked by GCA days which stood at 287 days as on as on 31st March 2024 against 261 days as on 31st March 2023. The inventory and debtor days of the company stood at 189 days and 101 days respectively as on 31st March 2024 against 138 days and 126 days respectively as on 31st March 2023. The increase in inventory days can be attributed to the accumulation of rough diamond inventory, which remained due to the management's optimistic outlook on demand in the domestic market. However, this anticipated demand did not materialize due to a decline influenced by multiple factors. On the other hand, the creditor days of the company stood at 18 days as on 31st March 2024 against 27 days as on 31st March 2023. Acuité believes that KIL is likely to see an increase in the working capital operations on account of increased inventory from the decreased demand in the market.

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

Due to the 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 requirements, i.e. rough diamonds and its exports range between 60-70 percent of its total sales. The forex risk in exports is largely covered against imports, however, the price volatility risk in rough diamonds threatens the thin profitability margins of the company due to long working capital cycles.

### ESG Factors Relevant for Rating

In case of Gems and Jewellery industry, on the social front, labour 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.

### Rating Sensitivities

Movement in scale of operations

Movement in profitability  
Movement in capital structure  
Movement in working capital cycle

### **Liquidity Position**

#### **Adequate**

The liquidity profile of the company is adequate. The company generated a net cash accrual of Rs. 41.66 Cr. as on as on 31st March 2024 against nil debt repayment obligations in the same period. The current ratio of the company declined to 2.18 times as on 31st March 2024 against 2.02 times as on 31st March 2023 because of decrease in trade payables. This decrease was observed because of the strategic decision to halt the purchase of additional raw materials because of decreased demand. The NCA/TD stood at 0.07 times in FY24 as against 0.09 times in FY23. Further, the average bank limit utilization at the month end balance stood low at 61% for 6 months ending Feb 25. Acuité believes that the liquidity of KIL is likely to remain adequate over the medium term on account of steady and sufficient cash accruals against the debt repayment obligations.

#### **Outlook : Stable**

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1852.59	2072.81
PAT	Rs. Cr.	37.84	48.76
PAT Margin	(%)	2.04	2.35
Total Debt/Tangible Net Worth	Times	0.68	0.71
PBDIT/Interest	Times	2.09	2.45

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

Not Applicable

### Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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
29 Dec 2023	Post Shipment Credit	Long Term	52.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Packing Credit	Long Term	343.70	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	10.53	ACUITE BBB   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	10.47	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	118.65	ACUITE BBB   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	118.65	ACUITE BBB   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	25.00	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	34.00	ACUITE BBB   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	51.00	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	5.20	ACUITE BBB   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	7.80	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	35.00	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	60.00	ACUITE BBB   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	87.00	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	17.40	ACUITE BBB   Stable (Reaffirmed)
	Post Shipment Credit	Long Term	23.60	ACUITE BBB   Stable (Reaffirmed)
	PC/PCFC	Long Term	50.00	ACUITE BBB   Stable (Reaffirmed)
30 Sep 2022	PC/PCFC	Long Term	35.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	52.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Packing Credit	Long Term	448.38	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	PC/PCFC	Long Term	10.53	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	15.79	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	PC/PCFC	Long Term	62.94	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	94.36	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	25.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	PC/PCFC	Long Term	34.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	51.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	PC/PCFC	Long Term	5.20	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	7.80	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)

	PC/PCFC	Long Term	64.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	93.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	PC/PCFC	Long Term	17.40	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Post Shipment Credit	Long Term	23.60	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	PC/PCFC	Long Term	10.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
Exim Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.00	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	95.00	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	34.00	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Yes Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.20	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	60.00	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Punjab National Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.40	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
RBL Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
IDBI Bank Ltd.	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.50	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Punjab National Bank	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	23.60	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Union Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	87.00	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Yes Bank Ltd	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.80	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	51.00	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
State Bank of India	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	95.00	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
IDBI Bank Ltd.	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.50	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Not Applicable	Not avl. / Not appl.	Proposed Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	518.00	Simple	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )



## Contacts

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### About Acuité Ratings & Research

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