

Rating Rationale

R. Kantilal and Company

20th April, 2018

Brickwork Ratings assigns the ratings for the bank loan facilities of R.Kantilal and Company.

Particulars

Facility	Tenor	Amount (Rs. Crs)	Rating*
Fund Based			
Working Capital	Long Term	160.00	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook-Stable Assigned (INR Two Hundred and Five Crores Only)
Working Capital-Proposed		45.00	
Total		205.00	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rationale/Description of Key Rating Drivers/ Rating sensitivities:

In assigning the rating of **R. Kantilal and Company** (RKC or ‘the company’), which is engaged into manufacturing of cut & polished diamonds. BWR has taken into account the long-standing experience of the partners, established track record of operations, moderate debt protection metrics, comfortable liquidity position and reputed customer profile. However the ratings are constrained by highly competitive nature of the industry marked by presence of large organized players as well as numerous small scale manufacturers, elongated operating cycle and margins susceptible to volatility in prices of diamond.

Key Rating Determinants

Credit Strengths

- Long track record of operations and rich partners experience for over 50 years in manufacturing of cut and polished diamonds. The firm sells the diamonds to big retail chains in Australia, Singapore and Hong Kong and has a reputed clientele.
- Diversified product mix as the company has been engaged in manufacturing of diamonds ranging from 0.01 carat to as high as 20 carat.
- Average financial risk profile of the company marked by comfortable debt protection metrics and liquidity cycle reflected by ISCR of 1.53x in FY17 and current ratio of 1.31 times in FY17.

Credit Weaknesses

- a) Elongated operating cycle due to stretch in receivables days marked by Days receivables of 140 days in FY17 as against 131 days in FY16.
- b) Susceptibility to volatility in prices of diamond and strong competition from large number of players
- c) High gearing ratio of 1.90 times in FY17 however the same has improved from 2.26 times in FY15.

Going forward, the ability of the firm to meet its projected turnover and profitability shall be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **R. Kantilal and Company** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored into standalone business and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Firm:

Kantilal and Company (RKC), a partnership firm set up in 1965, manufactures cut and polished diamonds at its manufacturing facilities in Mumbai and Surat (Gujarat). The firm sells the diamonds to big retail chains in Australia, Singapore and Hong Kong and has a reputed clientele.

Firm’s Financial Performance:

Key Financial Parameters	FY17	FY16
Revenue from operations	Rs. 416.39 Cr	Rs. 415.05 Cr
EBIDTA	Rs. 24.18 Cr	Rs. 25.18 Cr
PAT	Rs. 9.88 Cr	Rs. 9.72 Cr
ISCR	1.53 times	2.37 times
Total Debt	Rs. 170.60 Cr	Rs. 166.72 Cr
Tangible Net worth	Rs. 89.68 Cr	Rs. 86.88 Cr

The firm has achieved revenue from operations of Rs. 323.44 Crs from April 2017 to December 2017 with PAT of Rs. 9.01 Crs.

Rating History for the last three years:

SI. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Working Capital	Long Term	160.00	BWR BBB-/Stable Assigned	NA	NA	NA
2	Working Capital-Proposed	Long Term	45.00	BWR BBB-/Stable Assigned			
Total			205.00	(INR Two Hundred and Five Crores Only)			

NA: Not Available

Status of non-cooperation with previous CRA (if applicable): Reason and comments: Not Applicable

Any other information: NIL

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:



BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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