

## Kakadiam LLP

March 26, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	38.17	CARE BBB-; Stable	Assigned
Long-term / Short-term bank facilities	55.83	CARE BBB-; Stable / CARE A3	Assigned

Details of facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Kakadiam LLP (KL) derive strength from vast experience of its partners, firm's established track record in the cut & polished diamond (CPD) industry and its well-diversified clientele in domestic and export markets. Rating also takes cognisance of KL's growing scale of operations with stable profitability, moderate financial risk profile and adequate liquidity.

Ratings remain constrained by KL's thin profitability, which is vulnerable to volatile rough diamond prices and exchange rate fluctuations. Ratings also consider risks associated with KL status as a limited liability partnership and its presence in an intensely competitive and fragmented CPD industry with sluggish demand scenario.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained improvement in the firm's scale of operations of the company above ₹800 crore while maintain its profit before interest, lease rentals, depreciation and taxation (PBILDT) margin on a sustained basis.

#### Negative factors

- Decline in total operating income (TOI) below ₹350 crore and PBILDT margin falling below 3% on a sustained basis.
- Withdrawal of partner's capital or major borrowings leading to overall gearing above 1.50x.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings' expectations that KL will continue to maintain adequate financial risk profile in the medium term, while benefiting from its established operational track record and experience of partners.

### Detailed description of key rating drivers

#### Key strengths

##### Experienced partners and established track record of operations in CPD industry

Constituted as a partnership firm in October 2007 and reconstituted as a Limited Liability Partnership (LLP) in May 2024, Kakadiam is managed by Pravin K. Kakadiya and Hasmukh K. Kakadiya, having over 18 years of experience in the CPD industry. Partners are ably supported by a team of well-qualified professionals and second generation of the family; Milan P. Kakadiya, who looks after the firm's foreign operations. In FY24, Manubhai V. Mangukiya joined as a new partner, and the firm expanded its operations by acquiring a new manufacturing unit in Surat.

##### Growing scale of operations and stable profitability

KL's total operating income (TOI) grew at a compound annual growth rate (CAGR) of 30.44% in the last five years ending FY24. In FY24, the firm's TOI grew by 7.49% y-o-y to ₹524.15 crore (PY: ₹487.63 crore), driven by an increase in polished diamond realisation from ₹25,176 per carat in FY23 to ₹29,371 per carat in FY24.

In 10MFY25 (provisional), while sales realisation of polished diamonds declined to ₹23,203 per carat, KL's reported TOI reached ₹455.73 crore, primarily supported by higher sales volume, which rose from 163,782 carats in FY24 to 168,622 carats in 10MFY25.

##### Moderate capital structure and comfortable debt coverage ratios

KL's capital structure remained moderate, with an overall gearing of 0.32x (PY: 0.71x) and a total outside liabilities to tangible net worth (TOL/TNW) ratio of 2.18x (PY: 4.69x) in FY24. Improvement in FY24 was primarily driven by capital infusion from a new partner. In 9MFY25, KL secured a fresh term loan for acquisition of new manufacturing unit in Surat and increased its cash credit limits, resulting in an overall gearing of 1.00x as of December 31, 2024.

Debt coverage metrics stood comfortable marked by interest coverage at 6.76x (PY: 9.47x) and total debt to gross cash accruals (TD/GCA) at 1.42x (PY:2.08x) in FY24.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Diversified Clientele

KL has maintained a low customer concentration risk by building relationships with well-established clients in domestic and export markets. In the last four years, ending FY24, the company's revenue has been well-diversified, with its top five customers contributing between 15%- 35% of the TOI, reducing risk associated with revenue fluctuations from a single client.

### Key weaknesses

#### Thin profitability, which remains vulnerable to price volatility and exchange rate fluctuations

KL's PBILDT margin has remained stable between 3.30%-4.29% in the last five years and it stood at 4.29% in FY24 compared to 4.06% in FY23. Marginal improvement was largely due to the firm's focus on smaller-sized diamonds (below 20 cents), which experienced less price erosion compared to larger diamonds. Nevertheless, continued sluggish demand and moderation in prices would remain a key credit monitorable. Thus, KL depends on imports to meet its requirement of rough diamonds and ~80% of its sales is focused in domestic market, the firm's profitability is vulnerable to exchange rate fluctuations.

#### Constitution as a limited liability partnership

The credit risk profile is constrained by KL's constitution as LLP as there is an inherent risk of withdrawal of the capital, which limits its financial flexibility. Further disproportionate withdrawal of partners' capital shall remain a key rating sensitivity. Since 2022, partners have been infusing funds instead of withdrawing capital.

#### Sluggish demand scenario and fragmented CPD industry

India is the world's largest centre for CPDs accounting for over 90-95% of the total world's polished diamond consumption. However, CPD industry in India is highly fragmented with numerous unorganised players, in addition to large integrated G&J manufacturers, leading to a high level of competition. As a result of global inflationary trends, adverse macroeconomic environment and opening experienced-based spending has led to overall decline in demand for natural diamonds, which is discretionary. The demand-supply imbalance has pressured the pricing of polished diamonds, leading to a price correction of natural diamonds since H2FY23. High inventory levels at the start of FY24 and subsequent fall in CPD prices impacted scale and profit margins of CPD entities.

#### Liquidity: Adequate

KL has adequate liquidity marked by adequate projected cash accruals in the range of ₹16.26- ₹21.84 crore against moderate repayment obligation in the range of ₹5.57-9.80 crore in FY25-27. As of December 31, 2024, the firm held free cash and bank balance of ₹0.78 crore. Average maximum working capital limit utilisation has been at moderate levels of ~71% for 12 months ended January 31, 2025. KL's cashflow from operations were ₹10.27 crore in FY24 (PY: ₹18.40 crore). The firm's operating cycle remained lean at 22 days in FY24 (PY: 21 days).

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Cut and Polished Diamonds](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Gems, Jewellery And Watches

Headquartered in Surat, KL (LLPIN: ACH-5744) was originally established as a partnership firm in October 2007 before transitioning into a limited liability partnership (LLP) in May 2024. Led by the Kakadiya family, the firm specialises in processing and selling small-sized CPDs ranging from 0.70 mm to 2.40 mm in size.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	487.63	524.15	418.62
PBILDT	19.80	22.47	17.87
PAT	7.98	8.38	7.32
Overall gearing (times)	0.71	0.32	1.00

Interest coverage (times)	9.47	6.76	7.01
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A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** CRISIL has put the rating assigned to bank facilities of Kakadiam LLP under issuer non-cooperation category considering CRISIL's inability to carry out a rating exercise in the absence of the requisite information from the company per the press release dated March 13, 2025.

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	02/03/2029	38.17	CARE BBB-; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	42.50	CARE BBB-; Stable / CARE A3
Fund-based - LT/ ST-Working Capital Limits		-	-	-	13.33	CARE BBB-; Stable / CARE A3

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Cash Credit	LT/ST	42.50	CARE BBB-; Stable / CARE A3				
2	Fund-based - LT-Term Loan	LT	38.17	CARE BBB-; Stable				
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	13.33	CARE BBB-; Stable / CARE A3				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

### Contact us

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### About us:

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### Disclaimer:

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