October 30, 2025

Kantilal Chhotalal: Ratings reaffirmed

Summary of rating action

Instrument^	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short-term – Fund Based Limits	70.00	70.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; reaffirmed
Total	**70.00**	**70.00**	

^Instrument details are provided in Annexure I

Rationale

The reaffirmed ratings for Kantilal Chhotalal (KC) continue to be supported by the extensive experience of its partners in the polished diamond trading business and their strategic shift towards the studded jewellery segment, along with their ability to expand operations in this area, especially in view of ongoing demand challenges in the diamond industry. KC benefits from established relationships with its business-to-customers (B2C) clients and consistent demand from business-to-business (B2B) customers involved in the retailing diamond and diamond studded jewellery. The firm also maintains strong supplier relationships, ensuring continuous access to polished diamonds. The ratings also reflect KC's strong financial profile, marked by low gearing and satisfactory coverage metrics. The firm reported a YoY revenue growth of about 30% in FY2025, driven by higher contribution from the jewellery segment. With demand pressure continuing in the current fiscal, the firm's revenues are expected to remain range-bound in FY2026 while profit margins are likely to remain largely stable. However, further decline in polished diamond prices may impact its revenue and profit margin.

However, ratings are constrained by challenges encountered by the cut and polished diamond (CPD) industry over the past three financial years, driven by global inflationary pressures and a shift in consumer preference towards lab-grown diamonds (LGB) and studded jewellery. Additionally, the ratings remain constrained by the firm's exposure to foreign exchange rate fluctuations, as approximately 10% of its revenue is generated from exports markets such as the UAE, Hong Kong, the USA and Canada. The ratings also continue to reflect the risks associated with KC's partnership structure, where any significant capital withdrawal by the partners could adversely affect its capital structure.

The Stable outlook on the long-term rating reflects ICRA's view that KC will continue to benefit from the promoters' experience in the CPD industry, along with growing revenue from the jewellery segment. KC's credit profile is expected to remain comfortable, supported by its low reliance on working capital debt and minimal capital expenditure needs.

Key rating drivers and their description

Credit strengths

Extensive experience of partners in trading of polished diamonds – KC has been involved in the trading of polished diamonds since 1941. The Managing Partner, Mr. Ashish Mehta, has over three decades of experience in the diamond trading business. The firm has also forayed into the jewellery business and has contributed about 36% to the overall revenue in FY2025.

Established relationships with customers and suppliers – KC has built strong relationships with a diverse customer base that includes direct B2C clients, primarily high net worth individuals and B2B clients, mainly well-known retailers. The company enjoys low customer concentration risk, with the top ten customers contributing about 21% of total revenue in FY2025. On the procurement side, KC benefits from a reliable supplier network, with the top ten suppliers accounting for about 30% of total purchases for FY2025.

Comfortable financial profile with limited reliance on external debt – KC's dependence on debt has remained minimal over the years, supported by its focus on domestic operations where the working capital cycle is relatively shorter. The firm has effectively managed its working capital requirement, reflected in a working capital intensity of 12.7% as of March 31, 2025, compared to 13.4% in March 31, 2024. This has been driven by a prudent credit policy for customers and efficient inventory management. The limited use of external debt has resulted in a strong capital structure, with a gearing ratio of less than 0.1 times and TOL/TNW at 0.7 times as of March 31, 2025. KC's coverage indicators also remain healthy, demonstrated by an interest coverage ratio of about 55 times in FY2025.

Credit challenges

Demand headwinds in the CPD industry, low operating profit margin – At present, the CPD industry is grappling with multiple challenges, including inflationary pressures, growing competition from LGDs, and the impact of recent tariff hikes by the US. Despite these headwinds, KC delivered a healthy about 30% YoY revenue growth in FY2025, largely driven by its increased focus on the jewellery segment. However, with demand pressures persisting in the current fiscal, the company is expected to report stable, range-bound revenues in FY2026. KC's operating profit margin remains modest at 6.3%, primarily due to the limited value addition in its core trading business, which continues to dominate its revenue mix. The net profit margin stood at 4.2% during the same period. Additionally, the company's operations remain vulnerable to price volatility in polished diamonds and intense competition within the industry, both of which significantly limit its pricing flexibility.

Revenues and profitability susceptible to fluctuation in forex rates – KC's status as a net exporter makes its revenue and profit margins vulnerable to fluctuations in foreign exchange rates, particularly in the absence of an active hedging strategy. While the company has a forward contract policy in place, it generally maintains open positions, increasing its exposure to currency volatility. Additionally, KC's operations are subject to price fluctuations in polished diamonds, which further impact its pricing flexibility and overall profitability in a highly competitive market environment.

Inherent risks associated with the partnership nature of firm – KC remains exposed to the risk of capital withdrawals by its partners, which could potentially impact its capital structure and financial flexibility. While recent withdrawals have limited net worth growth, the promoters have also extended support through the infusion of unsecured loans whenever required, helping to meet working capital needs. Nonetheless, any significant withdrawal in the future could adversely affect the company's liquidity and overall financial stability, making it an important area for ongoing monitoring.

Liquidity position: Adequate

KC's liquidity profile remains adequate, supported by the availability of unutilised fund based working capital limits of Rs. 70 crore and investment in debt mutual funds of Rs. 7.8 crore as on September 30, 2025. The promoters have also infused unsecured funds of Rs. 13.9 crore as on March 31, 2025. The cash flow generation for FY2025 remained adequate vis-à-vis its requirements. As the firm has no major capex plans, the firm's liquidity position is expected to remain adequate in the near term.

Rating sensitivities

Positive factors – ICRA could upgrade KC's ratings if the firm demonstrates sustained improvement in its earnings, while maintaining its adequate liquidity position and healthy coverage indicators.

Negative factors – Pressure on KC's ratings could arise if there is any moderation in the firm's profitability metrics or revenues or weakening in its overall financial profile. Any strain on the liquidity position of the firm arising from a deterioration in its working capital cycle of operations or large capital withdrawals may trigger ratings downgrade. Weakening of the interest cover to below 4 times on a sustained basis would be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Cut & Polished Diamonds
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Kantilal Chhotalal (KC) was initially incorporated as a proprietorship concern by the Late Mr. Kantilal Chhotalal Mehta in 1941. It was subsequently converted into a partnership firm in 1976. The firm is engaged in trading of cut and polished diamonds (CPD) as well as manufacturing and trading of jewellery. At present, the business operations are managed by four partners, namely, Mr. Ashish Kantilal Mehta, Mr. Milan Rajnikant Mehta, Mr. Parthiv Mehta and Mr. Akshar Milan Mehta. Mr. Ashish Kantilal Mehta has experience of over three decades in CPD trading.

Key financial indicators (Audited)

KC - Standalone	FY2024	FY2025
Operating income	1,141.6	1,482.2
PAT	27.5	62.8
OPBDIT/OI	4.0%	6.3%
PAT/OI	2.4%	4.2%
Total outside liabilities/Tangible net worth (times)	0.5	0.7
Total debt/OPBDIT (times)	0.2	0.1
Interest coverage (times)	15.0	55.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current year (FY2026)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Oct 30 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based Limits	Long term/ Short term	70.00	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	Aug 09, 2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	Jul 06, 2023	[ICRA]BBB+ (Stable)/ [ICRA]A2	Sep 06, 2022	[ICRA]BBB+ (Stable)/ [ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short-term – Fund Based Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Pre Shipment Credit/ Post Shipment Credit**	NA	NA	NA	70.00	[ICRA]BBB+(Stable)/[ICRA]A2

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Jitin Makkar
+91 124 4545 368
jitinm@icraindia.com

Uday Kumar
+91 124 4545 867
uday.kumar@icraindia.com

Ronak Vadher
+91 22 6169 3341
ronak.vadher@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches