

### Knitcraft Apparels International Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
FDBP/FUDBP*	35.00**	SMERA A3 (Suspension Revoked, Rating Assigned)
FDBP/FUDBP* (Proposed)	4.00	SMERA A3 (Assigned)

\*Foreign Discount Bill Purchase/Foreign Usance Discount Bill Purchase

\*\*includes packing credit as a sublimit to the extent of Rs.25.00 crore, FDB/E (O/NPBLC) RS.15.00 crore, FDB/E (Disc. Doc) Rs.7.00 crore and Direct dispatch of documents to buyers Rs.3.00 crore.

SMERA has revoked the suspension of rating and assigned short term rating of '**SMERA A3**' (**read as SMERA A three**) to the above mentioned Rs.39.00 crore bank facilities of Knitcraft Apparels International Private Limited (KAIPL).

SMERA had on May 17, 2016 suspended the rating for lack of necessary information from KAIPL. The company has now shared the requisite information, enabling SMERA to assign a rating to the bank facilities.

The rating is supported by the company's established track record of operations and experienced management. The rating is also supported by the comfortable financial risk profile and established relations with customers. However, the rating remains constrained by the susceptibility of the profit margins to raw material price volatility and intense competitive pressure.

KAIPL is a Delhi-based company engaged in the manufacture and export of readymade garments for over two decades. The company benefits from its experienced management. The promoters have over two decades of experience in the readymade garments industry. KAIPL has long-standing relationships of over a decade with various reputed customers, including Polo Ralph Lauren Corporation (USA), Marks Work Wearhouse (Canada), Superdry Group Plc (UK) and VF Group (USA).

The financial risk profile is marked by comfortable gearing and coverage indicators. The gearing (debt to equity) ratio stood at 0.87 times (0.93 times previous year) as on March 31, 2016 (provisional). The interest coverage stood at 2.20 times (2.09 times previous year) and DSCR of 1.81 times (1.83 times previous year) in FY2016 (provisional). Further, the company has plans to install machinery in the new dyeing unit (fifth unit) estimated to cost around Rs.2.00 crore. The project is expected to be funded through a term loan of Rs.1.50 crore and the balance through promoter's contribution. The fifth unit is expected to commence operations from Feb, 2017. SMERA believes that with the addition of debt, the gearing of the company will continue to remain at comfortable levels.

However KAIPL is exposed to intense competition in the garment manufacturing industry and volatility in raw material prices.

#### Rating Sensitivity Factors

- Scaling up operations and improving profitability
- Maintaining comfortable capital structure
- Efficient working capital management

**Criteria applied to arrive at the rating:**

- Manufacturing Entities

**About the Company**

KAIPL was incorporated in 2007 to take over the existing business of Knitcraft Apparels International, a partnership firm established in 1985. The company is engaged in the manufacture of readymade garments at its four manufacturing units (three at Gurgaon and one at Delhi). Plans are on to set up yet another plant at Palwal, Haryana. The total installed manufacturing capacity stands at ~4 million pieces per annum. The company has integrated operations with in-house knitting and dyeing facilities. The overall operations are managed by Mr. Krishan Kumar Khurana, Mr. Sanjay Khurana, Mr. Sandeep Khurana among others.

For FY2015-16 (provisional), KAIPL reported profit after tax (PAT) of Rs.3.13 crore on operating income of Rs.176 crore, as compared with profit after tax (PAT) of Rs.2.36 crore on operating income of Rs.154.75 crore in FY2014-15.

**Rating History**

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
17 May, 2016	FDBP/FUDBP	35.00	-	SMERA A3 (Suspended)	-
04 March, 2015	FDBP/FUDBP	35.00	-	SMERA A3 (Upgraded)	-
18 February, 2014	Packing Credit	14.00#	-	SMERA A4+ (Assigned)	-
	FDBP/FUDBP	6.00#	-	SMERA A4+ (Assigned)	-
	Bank Guarantee	0.50	-	SMERA A4+ (Assigned)	-
	Forward Contract Exposure	0.80	-	SMERA A4+ (Assigned)	-
	Short term limit	1.38	-	SMERA A4+ (Assigned)	-

#Packing credit and bill discounting facility are interchangeable

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**ABOUT SMERA**

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