



SMERA RATINGS LIMITED

Kailash Trading Corporation (KTC)**Rating
Rationale****April 06, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	3.00	SMERA B/Stable (Assigned)
Working Capital Demand Loan	0.40	SMERA B/Stable (Assigned)
Bank Guarantee	0.75	SMERA A4 (Assigned)
Letter of Credit	4.85	SMERA A4(Assigned)
Proposed Cash Credit	1.00	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B' (read as SMERA single B)** and short term rating of **SMERA A4 (read as SMERA A four)** to the abovementioned bank facilities of Kailash Trading Corporation (KTC). The outlook is '**Stable**'. The rating is constrained by the firm's below average financial risk profile and the firm's low profitability on account of trading nature of business. The rating is also constrained by moderate customer concentration risk as well exposure to forex risk. However, the rating is supported by the firm's established track record and experienced management. The rating also draws comfort from the firm's improvement in revenue.

KTC, established in 2001, is a Chennai-based partnership firm engaged in trading of plastics, chemicals, and additives. KTC has below average financial risk profile marked by gearing (debt-to-capital ratio) of 2.46 times as of March 31, 2014. The firm's interest coverage ratio is low at 1.24 times percent of its s in FY2013-14. The firm's net profit margin is low at 0.16 per cent in FY2013-14. KTC faces moderate customer concentration risks as it does consignment sales for a particular customer.

KTC benefits from its experienced management. The management of the firm has around two decades of experience in the plastic industry.

Outlook: Stable

SMERA believes that KTC will continue to benefit over the medium term from it's from its established presence in the plastic industry and experienced management. The outlook may be revised to 'Positive' if company's scale of operations increases substantially, while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if company fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

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Rationale*

About the firm

Kailash Trading Corporation (KTC) established in 2001, by Mr. K. Chandrasekhar and Mr. K. Annapoorna. The company is engaged in trading of plastics, chemicals, and additives. KTC caters to the South Indian market and its products are used in Automobiles, Electrical, Electronics, Consumer Appliances, Textiles, Paints, and Printing Ink.

For FY2013–14, KTC reported profit after tax of Rs.0.18 crore on total income of Rs.116.26 crore, as compared with profit after tax of Rs.0.12 crore on total income of Rs.56.82 crore in FY2012–13. The firm's capital stood at Rs.1.64 crore as on March 31, 2014, as compared with Rs.1.43 crore a year earlier.

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