

April 06, 2015

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

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 its 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.

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

**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.

**Contact List:**

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 98208 02479 Email: <a href="mailto:antonystjose@smera.in">antonystjose@smera.in</a>	Vinay Chhawchharia Manager - Criteria Tel: +91-22-6714 1156 Email: <a href="mailto:vinay.chhawchharia@smera.in">vinay.chhawchharia@smera.in</a>	Tel: +91-22-6714 1170 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.