

May 26, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	7.00	SMERA B-/Stable (Assigned)
Cash Credit (proposed)	6.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B- (read as SMERA single B minus)**' to the Rs.13.00 crore bank facilities of Ramrati Jagdish Private Limited (RJPL). The outlook is '**Stable**'. For arriving at the rating, SMERA has consolidated the business and financial risk profiles of Kanchan International (KI) and RJPL, together referred to as the 'Kanchan Group'. The consolidation is in the view of the strong operational linkages between the entities, which are under a common management. The rating is constrained by the group's weak financial risk profile and working capital-intensive operations. The rating notes that the group is exposed to geographical concentration risk. The rating is also constrained by the susceptibility of the group's profit margins to fluctuations in forex rates and intense competition in the textile industry. However, the rating draws comfort from the group's experienced management and healthy revenue growth.

RJPL, established in 2012, is a part of the Delhi-based Kanchan Group, which is engaged in manufacturing and export of garments. Kanchan Group's weak financial risk profile is marked by high gearing of 3.45 times as on March 31, 2014 and moderate interest coverage ratio of 1.50 times in FY2013-14 (refers to financial year, April 01 to March 31). The group's net profit margin is low at 0.71 per cent in FY2013-14. Kanchan Group's working capital cycle is stretched at 103 days in FY2013-14. The group is highly dependent on orders received from customers in Dubai. Kanchan Group's profit margins are susceptible to fluctuations in forex rates. The group faces intense competition from several players in the textile industry.

Kanchan Group benefits from its experienced management. Mr. K. L. Singhal, promoter of Kanchan Group, has 34 years of experience in the textile industry.

Outlook: Stable

SMERA believes Kanchan Group will maintain a stable business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers strong growth in revenue while achieving sustained improvement in profit margins. The outlook may be revised to 'Negative' in case of decline in the group's revenue and profit margins or in case of deterioration in the group's financial risk profile on account of additional working capital borrowings.

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SMERA RATINGS LIMITED

Ramrati Jagdish Private Limited (RJPL)

*Rating
Rationale*

About the company

RJPL, incorporated in 2012, is a Delhi-based company promoted by Mr. S. C. Singhal. RJPL is a part of the Kanchan Group. The company undertakes manufacturing and export of readymade garments for men and women.

About the group

Kanchan Group comprises two entities (RJPL and KI) which are engaged in manufacturing and export of garments.

For FY2013–14, Kanchan Group reported net profit of Rs.0.48 crore on total income of Rs.67.98 crore, as compared with net profit of Rs.0.20 crore on total income of Rs.21.61 crore in FY2012–13. The group's net worth stood at Rs.5.21 crore as on March 31, 2014, as compared with Rs.2.22 crore a year earlier.

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