

June 02, 2015

Facilities	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>8.50</b>	<b>SMERA BB+/Stable (Assigned)</b>
<b>Cash Credit (Proposed)</b>	<b>1.50</b>	<b>SMERA BB+/Stable (Assigned)</b>

SMERA has assigned a long term rating of '**SMERA BB+**' (**read as SMERA double B plus**) to the abovementioned bank facilities of K.A.R. Leathers Private Limited (KLPL). The outlook is '**Stable**'. The rating derives comfort from the company's established track record, experienced management and moderate financial risk profile. However, the rating is constrained by the company's modest scale of operations and exposure to intense market competition. The ratings also factor in the susceptibility of the company's profit margins to fluctuations in raw material prices.

KLPL, incorporated in 1988, is a Chennai based company engaged in the manufacture of semi-finished leather. The company is headed by Mr. A. Mohideen, Director who has around three decades of experience in the leather industry. KLPL's comfortable financial risk profile is marked by leverage (debt-equity ratio) of 0.81 times (as on March 31, 2014) and interest coverage ratio of 2.06 times in FY2014. The company has modest scale of operations marked by operating income of Rs.44.13 crore in FY2013-14.

### **Outlook: Stable**

SMERA believes KLPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from the extensive industry experience of the promoter. The outlook may be revised to 'Positive' if the company is able to achieve more than expected growth in revenues while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or further weakening of profitability margins.

### **About the Company**

KLPL, incorporated in 1988, is engaged in the manufacture of semi-finished leather products. The company has its manufacturing unit at Dindigul (South Tamil Nadu) with a production capacity of 5000 pieces per day.

KLPL reported profit after tax (PAT) of Rs.0.64 crore in FY2013-14, on operating income of Rs.44.13 crore as against PAT of Rs.0.76 crore on operating income of Rs.42.52 crore in the previous year. The company's net worth stood at Rs.9.20 crore as on March 31, 2014 as against Rs.8.56 crore in the previous year.

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