

### Kalinga Cables & Conduit Co: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan	0.44	SMERA B/Stable (Withdrawal)
Cash Credit	5.00	SMERA B/Stable (Reaffirmed)
Foreign Guarantee	2.00	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA B' (read as SMERA B)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs.7.00 crore bank facilities of Kalinga Cables & Conduit Co. (Kalinga). The outlook is '**Stable**'. SMERA has also withdrawn the rating of SMERA B/Stable (read as SMERA B) with immediate effect. The rating was assigned to the abovementioned Rs 0.44 crore bank facility on account of full payment of dues against the rated facilities.

The ratings continue to remain constrained by modest scale of operations in an intensely competitive cables industry and weak financial risk profile. However, the ratings are supported by the experienced management.

### Update

The firm's revenues declined to Rs.16.33 crore in FY2015 as compared to Rs.26.99 crore in FY2014. The revenues further declined to Rs.12.94 crore in FY2016 (provisional) on account of delay in tenders floated by government entities. The operating margins declined to 5.04 per cent in FY2016 (provisional) compared to 7.49 per cent in FY2015. Further, the net profits of Rs.0.23 crore in FY2016 are largely supported by non-operating income of Rs.0.51 crore. The overall gearing stands high at 2.59 times as on March 31, 2016 (provisional) and interest coverage ratio is low at 1.51 times in FY2016 (provisional). The GCA days stand high at around 400 days with high inventory days of around 272 in FY2016 (provisional).

### Rating Sensitivity Factors

- Scaling up operations and profitability
- Improvement in financial risk profile

### Outlook-Stable

SMERA believes that Kalinga will continue to benefit over the medium term from its promoters' extensive experience and reputed customers. The outlook may be revised to 'Positive' if the firm scales up operations while improving profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, deterioration of profit margins or capital structure. Besides, any deterioration in the financial risk profile owing to higher-than-expected working capital requirements/debt funded capex may also result in a 'Negative' outlook.

### Criteria applied to arrive at the rating:

- Manufacturing Entities

### About the Firm

Kalinga, established in 2005, is a New Delhi-based partnership firm promoted by Mr. Rajiv Sethi and Mr. Sudhir Sethi. The firm is engaged in the manufacture of power cables, single core industrial cables, PVC conduit, casing among others.

For FY2015-16 (provisional), Kalinga reported profit after tax (PAT) of Rs.0.23 crore on operating income of Rs.12.94 crore, as compared with profit after tax (PAT) of Rs.0.05 crore on operating income of Rs.16.33 crore in FY2014-15.

### Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
28 July, 2015	Term Loan	0.44	SMERA B (Assigned)	-	Stable
	Cash Credit	5.00	SMERA B (Assigned)	-	Stable
	Bank Guarantee	2.00	-	SMERA A4 (Assigned)	-

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### ABOUT SMERA

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