



SMERA RATINGS LIMITED

Kalyaneswari Udyog Private Limited (KUPL)

Rating Rationale

September 02, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.40	SMERA BB-/Stable (Assigned)
Cash Credit (proposed)	0.45	SMERA BB-/Stable (Assigned)
Term Loan	2.85	SMERA BB-/Stable (Assigned)
Bank Guarantee	0.30	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA BB-'** (read as **SMERA double B minus**) to the Rs.6.70 crore long-term (fund based) bank facilities and '**SMERA A4'** (read as **SMERA A four**) to the Rs.0.30 crore short-term (non-fund based) bank facility of Kalyaneswari Udyog Private Limited (KUPL). The outlook is '**Stable**'. The ratings draw comfort from the company's experienced management and established relations with customers. The ratings are also supported by the company's moderate financial risk profile. However, the ratings are constrained by the company's small-scale operations and stretched liquidity position. The ratings note that the company faces intense competition.

KUPL, incorporated in 2010, is a Burdwan-based company engaged in manufacturing of woven sacks. KUPL benefits from its experienced management. The directors of the company have around 15 years of experience in the packaging industry. KUPL also benefits from its long-standing relations with several reputed customers such as ACC Ltd., Lafarge and UltraTech Cement Ltd.

KUPL's moderate financial risk profile reflected in leverage (debt-equity ratio) of 2.00 times as on March 31, 2014, interest coverage ratio of 2.43 times and net cash accrual to total debt ratio (NCA/TD) of 0.22 times in FY2013-14 (refers to financial year, April 01 to March 31).

KUPL has small-scale operations marked by operating income of Rs.22.47 crore in FY2013-14. The company's stretched liquidity position is evidenced by high utilisation (~94 per cent) of cash credit limit during the six months ended March 2015. KUPL faces intense competition from several players in the packaging industry.

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Kalyaneswari Udyog Private Limited (KUPL)

*Rating
Rationale*

Outlook: Stable

SMERA believes KUPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue and sustained improvement in profit margins while maintaining a comfortable financial profile. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and working capital management.

About the company

KUPL, incorporated in 2010, is a Burdwan-based company engaged in manufacturing of woven sacks (made from polypropylene and high-density polyethylene).

KUPL has a manufacturing unit in Kulti (West Bengal), with installed production capacity of 3,600 tonnes per annum. The company utilizes ~90 per cent of the installed production capacity.

For FY2013-14, KUPL reported profit after tax (PAT) of Rs.0.80 crore on operating income of Rs.22.47 crore, as compared with PAT of Rs.0.08 crore on operating income of Rs.19.20 crore in FY2012-13. The company's net worth stood at Rs.4.00 crore as on March 31, 2014, as compared with Rs.2.93 crore a year earlier. KUPL registered operating income of Rs.25.10 crore (provisional) in FY2014-15.

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