

Kalyaneswari Udyog Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Term Loan	1.47	SMERA B+/Stable (Suspension Revoked, Assigned)
Cash Credit	3.40	SMERA B+/Stable (Suspension Revoked, Assigned)
Cash Credit (Proposed)	0.23	SMERA B+/Stable (Suspension Revoked, Assigned)
Bank Guarantee	0.30	SMERA A4 (Suspension Revoke, Assigned)

SMERA has revoked the suspension on the abovementioned bank facilities of Kalyaneswari Udyog Private Limited (KUPL) and assigned a rating of **'SMERA B+' (read as SMERA B plus)** to the Rs.5.10 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. The outlook is **'Stable'**.

SMERA had, on 28 July, 2016 suspended the ratings for lack of necessary information from KUPL. The company has now shared the requisite information enabling SMERA to assign a rating.

The ratings are constrained by the modest scale of operations and working capital intensive business. The ratings also factor in the weak liquidity profile and exposure to intense competition in the packaging industry. However, the rating weaknesses are partially offset by the experienced management and established relations with customers and suppliers.

KUPL, incorporated in 2010, is a West Bengal-based company engaged in the manufacture of Polypropylene (PP) and High Density Polyethylene (HDPE) woven sacks. The company has modest scale of operations evident from the operating income of Rs.24.27 crore in FY2015-16 against Rs.23.48 crore in FY2014-15 (refer to financial year, from April 1 to March 31). KUPL reported net profit of Rs.0.32 crore in FY2015-16 against Rs.0.21 crore during the previous year. In FY2013-14, the management received subsidy of Rs.0.73 crore from the state government for development of micro, small and medium enterprises.

The company's operations are working capital-intensive with gross current assets (GCA) of 155 days and inventory holding period of 67 days in FY2015-16 in contrast to 110 days and 78 days respectively in FY2014-15. KUPL is exposed to intense competition from several players in the packaging industry.

However, Mrs. Anita Agarwal and Mrs. Puja Agarwal, Directors, possess experience of over a decade in the company's line of business. The company has healthy relations with customers and suppliers.

Outlook: Stable

SMERA believes KUPL will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' if the company diversifies its client base while maintaining comfortable financial profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and working capital management.

Rating Sensitivity Factors

- Sustainable improvement in operating income and profitability profile
- Efficient working capital cycle
- Large debt funded capital expansion

Criteria for arriving at the ratings:

- Manufacturing Entities

About the Company

KUPL, incorporated in 2010, is a West Bengal-based company engaged in the manufacture of Polypropylene (PP) and High Density Polyethylene (HDPE) woven sacks at Kulti (West Bengal). Mr. Vijay Agarwal and Mr. Rakesh Agarwal oversee the routine operations of the company. KUPL has its manufacturing facility at Kulti (West Bengal) with installed capacity of 3,600 tons per annum. The current plant utilisation is around 90 per cent.

For FY2014-15, KUPL reported (profit after tax) PAT of Rs.0.21 crore on operating income of Rs.23.48 crore as compared with PAT of Rs.0.80 crore on operating income of Rs.22.47 crore for FY2013-14. As per the 12 months financials for FY2015-16, the company reported PAT of Rs.0.33 crore on operating income of Rs.24.33 crore. The net worth stands at Rs.4.27 crore as on March 31, 2016 as compared with Rs.3.94 crore a year earlier.

Rating History

Date	Facilities	Amount	Ratings		Outlook
		(Rs. Crore)	Long Term	Short Term	
28 July, 2016	Cash Credit	3.40	SMERA BB-(Suspended)	-	Stable
	Bank Guarantee	0.30	-	SMERA A4+(Suspended)	-
	Term Loan	2.85	SMERA BB-(Suspended)	-	Stable
	Proposed Cash Credit	0.45	SMERA BB-(Suspended)	-	Stable
02 Sept, 2015	Cash Credit	3.40	SMERA BB-(Assigned)	-	Stable
	Bank Guarantee	0.30	-	SMERA A4+(Assigned)	-
	Term Loan	2.85	SMERA BB-(Assigned)	-	Stable
	Proposed Cash Credit	0.45	SMERA BB-(Assigned)	-	Stable



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ABOUT SMERA

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