

January 13, 2016

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit/Packing Credit in Foreign Currency	18.00	SMERA A4+ (Assigned)
Term Loan I	2.00	SMERA BB+/Stable (Assigned)
Term Loan II	2.70	SMERA BB+/Stable (Assigned)
Term Loan III	3.50	SMERA BB+/Stable (Assigned)
Proposed Bank Facility	0.80	SMERA BB+/Stable (Assigned)

SMERA has assigned ratings of '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the above mentioned bank facilities of Kabadi Shankarsa & Co (KSC). The outlook is '**Stable**'. The ratings derive comfort from the long track record of operations, experienced management, improving profitability and healthy financial risk profile. However, the ratings are constrained by customer concentration risk and exposure of the firm to forex fluctuation risk.

#### Outlook: Stable

SMERA believes that KSC will continue to benefit over the medium term from its experienced management and established presence in the textile industry. The outlook may be revised to 'Positive' in case the company registers substantial increase in the scale of operations while maintaining comfortable operating profit margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the projected scalability in revenues or registers deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

#### Rating Sensitivity Factors

- Scaling up of operations while maintaining operating margins
- Efficient working capital management

#### About the Company

KSC, established as a partnership firm in 1993 is managed by six partners who are successors of the late Mr. Kabadi Shankarsa. The firm manufactures silk and cotton fabrics. Its products include cushion covers, pillow covers, bedsheets among others.

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For FY2014-15, KSC reported net profit before tax of Rs.3.01 crore on operating income of Rs.94.48 crore as compared with net profit before tax of Rs.3.00 crore on operating income of Rs.96.37 crore in the previous year.

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