

February 29, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan I	0.03	SMERA B/Stable (Assigned)
Term Loan II	4.85	SMERA B/Stable (Assigned)
Packing Credit	16.00*	SMERA A4 (Assigned)
FOBP/FOUBP	5.00*	SMERA A4 (Assigned)
Gold Card	3.20	SMERA A4 (Assigned)
Fund Based Facilities (Proposed)	1.92	SMERA B/Stable/SMERA A4 (Assigned)

**Interchangeability between packing credit and FOBP/FOUBP (Post Shipment credit) with maximum limit not exceeding Rs. 20.00 crore*

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA B**) and '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Kanchan Vanijya Private Limited (KVPL). The outlook is '**Stable**'. The ratings are constrained by the company's weak financial risk profile marked by aggressive gearing levels, below average coverage indicators and working capital intensive nature of operations. The ratings are further constrained by the geographical concentration risk, susceptibility of profit margins to volatility in raw material prices and intense market competition. However, the ratings derive comfort from the experienced management, reputed clientele and modest scale of operations.

Outlook: Stable

SMERA believes the outlook of KVPL will remain stable owing to the extensive experience of the promoter. The outlook may be revised to 'Positive' if KVPL achieves more than expected growth in revenues or significant reduction in geographical concentration 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.

Rating Sensitivity Factors

- Improvement in capital structure
- Scaling up operations while improving profitability
- Taking on larger than expected debt-funded capex or further elongation in the working capital cycle

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the Company

KVPL, incorporated in 1972, is a Kolkata-based company promoted by Mr. Rajeev Gupta and family. The company is engaged in the manufacture and export of leather products (primarily bags) at its facility at Kolkata. The installed capacity of the unit is 5,00,000 pieces per annum.

For FY2014-15, KVPL reported profit after tax (PAT) of Rs.0.57 crore on operating income of Rs.28.54 crore as against PAT of Rs. 0.15 crore on operating income of Rs. 22.09 crore.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head – Emerging Corporate Group Tel No: 022 67141151 Cell: 9892306888 Email: suman.m@smera.in	Pooja Ghosh Associate Vice President – Corporate Ratings Tel: +91-33-6620 1203 Email: pooja.ghosh@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.