



SMERA RATINGS LIMITED

Kalathil Exports India Private Limited (KEIPL)

*Rating
Rationale*

May 19, 2016

Facilities	Amount (Rs. Crore)	Ratings
Overdraft (Proposed)	7.75	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (read as **SMERA single B plus**) on the abovementioned bank facility of Kalathil Exports India Private Limited (KEIPL). The outlook is '**Stable**'. The rating is constrained due to company's small scale of operations and intense market competition. The rating is also constrained due to working capital intensive operations, susceptibility of profit margins to volatility in raw material prices and exchange rates. However, the rating draws support from the company's experienced management, diversified product portfolio and moderate financial risk profile.

The rating is constrained due to small scale of operations with operating income of Rs. 4.20 crore in FY2015-16. The company has working capital intensive operations with working capital days of 229 in FY2015-16. This is mainly due to high inventory holding of 191 days. The rating is also constrained due to intense market competition and susceptibility of profit margins to volatility in raw material prices and exchange rates.

Kalathil Exports India Private Limited (KEIPL), incorporated in 2015, has been promoted by Mr. Kalathil Muhammed Bashir and around two decades of experience in this line of business. KEIPL deals in trading of various products like rice, atta, maida, rubber, coconut, herbal products, sea food, garments & textiles, building materials, electrical items among others. The company has a moderate financial risk profile marked by modest gearing of 1.30 times and coverage indicators at 2.12 times and low net worth base of Rs. 1.29 crore in FY2015-16.

Outlook: Stable

SMERA believes that KEIPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile.

Rating Sensitivity Factors

- Ability to scale up its operations while maintaining its profit margins
- Efficient working capital management

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About the Company

Kalathil Exports established in 2004 (commercial operations started in 2013), was a Kerala based proprietorship concern promoted by Mr. Kalathil Muhammed Bashir. The firm was then taken over by Kalathil Exports India Private Limited (incorporated in September 2015) in 2016. The company is engaged in the trading and exporting of various products like rice, atta, maida, rubber, coconut, herbals products, sea foods, garments & textiles, building materials, electrical items among others.

For FY2015–16, the concern reported net profit of Rs.0.21 crore on total income of Rs.4.20 crore, as compared with net profit of Rs.0.17 crore on total income of Rs.2.24 crore in FY2014–15.

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