

March 31, 2014

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit	4.00	SMERA A4 (Assigned)
Foreign Documentary Bill Negotiation under LC (FDBN)	20.00	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA A4**' (**read as SMERA A four**) to the above-mentioned bank facilities of Komal Fashion (KF). The rating is constrained by the company's limited track record, weak financial risk profile, thin profit margins, and stretched liquidity position. The rating is also constrained by the company's susceptibility to volatile cotton prices and impact of government regulation. However, the ratings are supported by the company's experienced management and locational advantage in terms of proximity to the cotton-growing regions in Gujarat.

KF established in 2011, is engaged in trading of raw cotton and manufacturing of garments. The company has weak debt protection metrics, as reflected in high total outside liabilities / tangible net worth which stands at 23.13 times as on March 31, 2013 and low interest coverage ratio of 1.38 times in FY2012-13. The company's net worth is low at Rs.0.50 crore as on March 31, 2013. KF operates on thin profit margin which stands at 0.22 per cent in FY2012-13 (refers to financial year, April 01 to March 31). The company also has a stretched liquidity position reflected in fully utilised packing credit statements from September, 2013 to February, 2014. The company is also highly susceptible to volatility of cotton prices due to factors like yield for the year, international demand-supply scenario, export quota decided by the government and inventory carry forward from the previous year.

KF benefits from its experienced management. Mr. Gaurav Amin, Proprietor, has almost a decade of experience in trading of raw cotton and company. Moreover, the day to day business operation are also managed by qualified and experienced second tier management having more than two decades of experience in similar industry. The company also has locational advantage in terms of proximity to the cotton-growing regions in Gujarat.

About the company

KF, incorporated in 2011, is an Ahmedabad-based company promoted by Mr. Gaurav Amin. KF is engaged in trading of raw cotton and manufacturing of garments. In current year, company plans to setup manufacturing unit of knitted fabric.

For FY2012-13, KF reported profit of Rs.0.11 crore on total operating income of Rs.49.32 crore, as compared with profit of Rs.0.01 crore on total operating income of Rs.2.58 crore for FY2011-12. KF's net worth stood at Rs.0.50 crore as on March 31, 2013, as compared with Rs.0.42 crore a year earlier. From the period April, 2013 to January, 2014, company has registered total operating income of Rs.111.76 crore (as per provisional financials).

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