

Knitex Textiles Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Packing Credit	4.80	SMERA A4+ (Assigned)
Proposed (Fund/Non Fund)	0.50	SMERA BB-/Stable/SMERA A4+ (Assigned)

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the above mentioned bank facilities of Knitex Textiles Private Limited (KTPL). The outlook is '**Stable**'.

The ratings derive strength from the experienced management and long track record of operations. The ratings also draw support from the comfortable financial risk profile and sound liquidity position of the company. However, the ratings are constrained by the small scale of operations and low profitability.

KTPL, incorporated in 1999, is engaged in the manufacture of readymade garments and trading of yarn. The company is headed by Mr. Hiten Sheth, Director with over 25 years of experience in the textile industry. The financial risk profile is comfortable marked by healthy interest coverage ratio (ICR) of 2.81 times for FY2016 as compared to 2.21 times for FY2015. The company has no long term borrowings from banks/financial institutions. The gearing (debt-equity) stood healthy at 0.19 times as on March 31, 2016. The liquidity position is comfortable marked by ~37.99 per cent average utilisation of working capital limits for the six months ended September, 2016.

However, the ratings are constrained by the small scale of operations with revenues of Rs.17.41 crore for FY2016 as against Rs.15.29 crore for FY2015. Also, the company operates at thin net profit margins of 0.81 per cent, 1.63 per cent and 2.00 per cent for FY2016, FY2015 and FY2014, respectively.

Rating Sensitivity Factors

- Improvement in scale of operations while improving profit margins
- Changes in the financial risk profile

Outlook-Stable

SMERA believes that KTPL will maintain a stable outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company registers improvement in scale of operations while achieving healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

KTPL, incorporated in 1999, is engaged in the manufacture of readymade garments and trading of yarn. The company is headed by Mr. Hiten Sheth, Director who possesses around 25 years of experience in the textile industry.

For FY2015–16, the company reported profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.17.41 crore, as compared with net profit of Rs.0.31 crore on operating income of Rs.15.29 crore in FY2014–15. The net worth stood at Rs.4.24 crore as on March 31, 2016 as compared with Rs.4.34 crore, a year earlier.

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ABOUT SMERA

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