

## Press Release

### Kent Industries

February 17, 2017

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 15.00 Cr.
<b>Long Term Rating</b>	SMERA BBB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) on the Rs. 15.00 crore bank facilities of Kent Industries. The outlook is '**Stable**'.

Kent Industries, established in 2000 is a Delhi-based proprietorship concern set up by Mr. Chirag Gupta. The firm is engaged in the manufacturing of wires, cables, ceiling fans and switches with total installed capacity of 2.5 lakh units per annum. The firm sells its product through distributors and dealers under the Arkaylite and Kent brand names.

### Key Rating Drivers

#### Strengths

- **Experienced management and long track record of operations**

KI was established in 2000. The proprietor, Mr. Ashok Gupta and Mr. Chirag Gupta (son) have extensive experience in the aforementioned industry.

- **Healthy financial risk profile**

The rating is supported by healthy financial risk profile marked by comfortable gearing (debt-to-equity) of 0.20 times as on 31 March, 2016 as compared to 0.25 times as on 31 March, 2015. The interest coverage ratio stands healthy at 33.28 times in FY2016 as against 16.23 times in the previous year. SMERA expects the debt protection metrics to remain robust over the medium term on account of healthy net cash accruals and profitability margins. The net profitability margin stood at 7.13 percent in FY2016 as against 4.74 times in the previous year. The ROCE stood at 35.22 per cent in FY2016 as compared to 20.66 percent in the previous year.

- **Growth in revenue**

The revenue of the firm increased to Rs.131.70 crore in FY2016 as compared to Rs.83.57 crore in FY2014 with the addition of new products and distributors across the country. The CAGR increased by 25.54 percent within two years i.e. FY2014 to FY2016. However, SMERA notes that around 40 per cent revenue is derived from sale to a group company.

#### Weaknesses

- **Working capital intensive business**

The working capital cycle is stretched marked by high Gross Current Assets (GCA) days of 203 days in FY2016 as compared to 211 days in FY2015.

- **Intense competition**

The firm faces intense competition from small and large players which is likely to have an impact on its operating performance and profitability.

### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

**Outlook: Stable**

The outlook of the firm is expected to remain stable owing to the experienced promoters and long track record of operations. The outlook may be revised to Positive in case of higher than expected revenues and improvement in its working capital cycle. Conversely, the outlook may be revised to Negative in case of further deterioration in profitability or deterioration in revenues.

**About the Rated Entity - Key Financials**

For FY2015-16, the company reported profit after tax (PAT) of Rs.9.39 cr on operating income of Rs.131.70 cr as compared with PAT of Rs.5.20 cr on operating income of Rs.109.64 cr in FY2014-15. The net worth stood at Rs.22.85 cr as on 31 March, 2016 against Rs.22.18 cr a year earlier.

**Status of non-cooperation with previous CRA (if applicable)**

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**

<https://www.smera.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB- / Stable

**Contacts**

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Mrinal Mahip Rating Analyst Tel: 011-49731304 <a href="mailto:mrinal.mahip@smera.in">mrinal.mahip@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.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](http://www.smera.in)) for the latest information on any instrument rated by SMERA.*

---