

Press Release

Krishna Textile Process

March 01, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-** (read as **SMERA BB minus**)' and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 14.00 crore bank facilities of Krishna Textile Process. The outlook is '**Stable**'.

Krishna Textile Process (KTP) promoted by Mr. P. Gopalakrishnan in 2002 is engaged in the dyeing of polyester, cotton and viscose fabrics. The firm is part of the Sudhama Group, founded in 1978. The latter manufactures knitted garments and exports the same to European countries.

Key Rating Drivers

Strengths

- **Moderate track record of operations and experienced management**

KTP is engaged in the dyeing of polyester, cotton and viscose fabrics. Mr. P. Gopalakrishnan possess more than three decades of experience in the textile industry.

- **Moderate profitability**

The firm registered operating margin of 15.06 percent for FY2016 as against 17.56 per cent in FY2015. The operating margins declined marginally due to increase in other manufacturing overheads. The net margin stood at 1.55 per cent in FY2016 and 2.68 per cent in FY2015. The RoCE of KTP was low at 4.86 per cent for FY2016.

- **Moderate financial risk profile**

KTP has moderate financial risk profile marked by healthy gearing of 0.32 times as on March 31, 2016 as against 0.37 per cent as on March 31, 2015. The net worth is moderate at Rs.12.97 cr as on March 31, 2016 compared to Rs.11.83 cr as on March 31, 2015. The Interest coverage ratio (ICR) stood at 3.42 times for FY2016. The TOL/TNW was healthy at 1.03 times for FY2016.

Weaknesses

- **Small scale of operations**

KTP operates on a small scale with operating income of Rs.13.25 cr for FY2016 as against Rs.14.13 cr for FY2015. The firm achieved revenue of ~Rs. 9.93 cr during April 2016 - January 2017. The industry is fragmented and competitive with large number of unorganised players.

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets of 270 days in FY2016 compared to 202 days in FY2015. The cash credit facility has been fully utilised.

- **Partnership constitution**

The rating factors in the partnership constitution of the firm that allows the management to

withdraw capital at will.

Analytical Approach

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

Outlook: Stable

SMERA believes that KTP will maintain a stable outlook over the medium term owing to the experienced management. The outlook may be revised to Positive in case it registers substantial increase in profitability margins supported by healthy revenue growth or improvement in financial risk profile on account of effective working capital management. Conversely, the outlook may be revised to Negative in case of sharp decline in profitability margins due to decline in revenue growth. Significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle may also entail a Negative outlook.

About the Rated Entity - Key Financials

For FY2015-16, KTP reported profit after tax (PAT) of Rs.0.21 cr on operating income of Rs.13.25 cr as compared with PAT of Rs.0.38 cr on operating income of Rs.14.13 cr in the previous year. The net worth stands at Rs.12.97 cr as on March 31, 2016 compared to Rs.11.83 cr in the previous year.

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	3.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2018	0.75	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	31-Jan-2023	6.31	SMERA BB- / Stable
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	0.15	SMERA A4+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.25	SMERA A4+
Proposed	Not	Not	Not	1.54	SMERA BB- /

	Applicable	Applicable	Applicable		Stable
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