

Press Release

25 March, 2017

Kamal Suitings Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.12.50 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 12.50 crore bank facilities of Kamal Suitings Private Limited. The outlook is '**Stable**'.

Kamal Suitings Private Limited (KSPL), incorporated in 1993 is a Rajasthan-based private limited company promoted and managed by its partners, Mr. Kapil Maheshwari and Mr. Satya Narayan Tawani. The company is engaged in the manufacturing of blended suiting cloth.

Key Rating Drivers

Strengths

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

KSPL, incorporated in 1993, has long track record of operations in the textile industry. The Directors, Mr. Kapil Maheshwari and Mr. Satya Narayan Tawani have around two decades of experience in the textile industry.

- **Moderate financial risk profile**

The moderate financial profile of the company is marked by moderate gearing of 1.52 times in FY2016 as compared to 1.29 times in FY2015. The interest coverage ratio stands moderate at 1.33 times in FY2016 as compared to 1.30 times in FY2015. The operating margin of the company stands moderate at 4.76 percent in FY2016 as compared to 4.95 percent in FY2015. The RoCE of the company stands healthy at 10.37 percent in FY2016 as compared to 11.58 percent in FY2015. SMERA also notes that the company has low net profitability at 0.25 percent in FY2016 as compared to 0.55 percent in FY2015.

Weaknesses

- **Modest scale of operations**

KSPL has modest scale of operations of Rs.43.55 cr in FY2016 as compared to Rs.36.46 cr in FY2015.

- **Intense competition**

The company is exposed to intense competition from various players which is likely to impact its operating performance and profitability.

- **Working capital intensive operations**

The operations are working capital intensive marked by high working capital cycle days of 116 in FY2016 as compared to 118 in FY2015.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain a stable outlook owing to the management's extensive experience and long track record of operations. The outlook may be revised to Positive in case of substantial increase in profitability margins supported by healthy revenue growth. Conversely, the outlook may be revised to Negative in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure or further elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2016, KSPL reported PAT of Rs.0.07 cr on operating income of Rs.43.55 cr as compared to PAT of Rs.0.07 cr on operating income of Rs.36.46 cr for FY2015. The net worth stood at Rs.7.89 cr in FY2016 as against Rs.5.93 cr last year. The net worth of Rs.7.89 cr in FY2016 includes quasi equity of Rs.3.75 cr.

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA B+ / Stable
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4
Term loans	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4

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ABOUT SMERA

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