

Press Release

Krishna Traders (KT)

07 September, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs.5.00
Long Term Rating	SMERA B/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs.5.00 crore bank facility of Krishna Traders (KT). The outlook is '**Stable**'.

The Uttar Pradesh-based Krishna Traders (KT), was established in 2007 as a proprietorship firm by Mr. Ankit Gupta. The firm is engaged in the manufacturing and trading of mattresses at Ghaziabad and has installed capacity of 80,00,000 sheets per year. The firm caters to reputed companies including Kurlon Limited, Sleepwell and has operations in Delhi, Punjab, and Haryana.

List of key rating drivers and their detailed description:

Strengths:

Experienced management

The proprietor, Mr. Ankit Gupta has experience of around a decade in the Indian mattress industry.

Healthy relations with business partners

The firm has healthy relations with customers and supplies on account of its established track record.

Weaknesses:

Small scale of operations

The firm has modest scale of operations marked by operating income of Rs.1.10 crore in FY2016-17 and Rs. 0.62 crore in FY2015-16.

Competitive and fragmented industry: The firm is exposed to intense competition in the industry from several small and large players on account of limited entry barriers.

Modest financial risk profile: The modest financial risk profile is marked by low networth, comfortable gearing and debt protection metrics. The networth stood at a low of Rs.0.25 crore as on 31 March, 2017 compared to Rs.0.18 crore in the previous year. The gearing stood comfortable at 0.21 times as on 31 March, 2017 as against 0.59 times as on 31 March, 2016. The debt protection metrics are marked by interest coverage ratio of 36.32 times in FY2016-17 as against interest coverage ratio of 16.17 crore in FY2015-16. Further, the net cash accrual to total debt (NCA/TD) stood at 1.72 times in FY2016-17 as compared to 0.53 times in FY2015-16. SMERA believes that decline in debt protection metrics and/or the capital structure would be a key credit monitoring factor.

Analytical approach: SMERA has taken a standalone view of the financial and business risk profiles of Krishna Traders.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that Krishna Traders will maintain a stable outlook in the medium term owing to its established operations and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of improvement in revenue and net profitability, reduction in leverage and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of further stretch in working capital and deterioration in the capital structure.

About the Rated Entity - Financials

For FY2017, Krishna Traders reported profit after tax (PAT) Rs.0.08 crore on total operating income of Rs.1.10 crore compared with PAT of Rs.0.05 crore on total operating income of 0.62 crore in FY2016. The networth stood at Rs. 0.25 as on 31 March, 2017 as against Rs. 0.18 crore as on 31 March, 2016.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the 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
Term Loan	N.A	N.A	N.A	0.10	SMERA B/Stable (Assigned)
Proposed Long Term	N.A	N.A	N.A	4.90	SMERA B/Stable (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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