

## Press Release

### Keerthi Enterprises (KE)

8 February, 2018



### 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 Keerthi Enterprises (KE). The outlook is '**Stable**'.

Incorporated in 2011 by Mr. K Baranidharan, Keerthi Enterprises is a proprietorship concern engaged in manufacturing of safety gloves with a current installed capacity of 42,240 pairs/day at its facility in Kanchipuram (Tamil Nadu). The firm trades in industrial safety gloves, safety gadgets like gloves, ear plugs, nose protection among others.

### Key rating drivers

#### Strengths

**Experienced management:** Keerthi Enterprises was incorporated in 2011 by Mr. K Baranidharan. Prior to his stint as proprietor in KE, Mr. K Baranidharan had seven years of experience in an auto ancillary company.

**Increasing scale of operations along with improved profitability:** The company generated revenue of Rs 245.19 crore in FY2017, an increase from Rs. 91.54 crore in FY2016. This was due to increase in production capacity coupled with rise in revenue from sale of traded goods. The firm trades in over 200 types of safety gadgets. The firm generated 85 per cent of top line through trading activity and the rest through manufacturing in FY2017. The firm also registered operating income of Rs.291.72 crore from April 2017 to January 2018 (provisional). The operating margins improved from 1.72 per cent in FY2016 to 3.77 per cent in FY2017 due to increase in revenue from manufacturing activity and better absorption of fixed costs such as employee expenses.

**Average financial risk profile:** The average financial risk profile is marked by moderate net worth, moderate gearing and comfortable debt protection measures. The net worth levels stood at Rs.15.77 crore as on 31 March, 2017 as compared to Rs.6.86 crore in the previous year due to accretion of internal accruals. The gearing levels remained moderate at 1.25 times in FY2017 as compared to 1.29 times in FY2016. The interest coverage levels increased to 6.46 times in FY2017 from 6.33 times in FY2016 due to improvement in the profitability levels. The net cash accruals to total debt (NCA/TD) stood at 0.40 times in FY2017.

**Efficient working capital management:** The firm has efficient working capital management, as reflected in the Gross Current Assets (GCA) of 53 days as on 31 March, 2017 compared to 67 days as on 31 March, 2016 due to moderate debtor and inventory days. The Inventory days in FY2017 stood at 24 compared to 25 in FY2016. The receivable days in FY2017 stood at 25 compared to 34 in FY2016. The firm offers credit period of ~30 days to customers.

### Weaknesses

**Competitive and fragmented industry:** KE operates in a highly competitive and fragmented industry characterised by a large number of organised as well as unorganised players affecting margins.

### Analytical approach:

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

### Outlook - Stable

SMERA believes that KE will maintain a Stable outlook and continue to benefit over the medium term from its promoters' industry experience. The outlook may be revised to 'Positive' if the firm reports increased operating revenues, sustains cash accruals thus leading to steady improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or deterioration in the capital structure.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	245.19	91.54	18.14
EBITDA	Rs. Cr.	9.24	1.57	0.29
PAT	Rs. Cr.	7.27	1.20	0.25
EBITDA Margin	(%)	3.77	1.72	1.62
PAT Margin	(%)	2.96	1.31	1.38
ROCE	(%)	34.00	16.34	25.37
Total Debt/Tangible Net Worth	Times	1.25	1.29	0.07
PBDIT/Interest	Times	6.46	6.33	82.76
Total Debt/PBDIT	Times	2.13	5.64	0.46
Gross Current Assets (Days)	Days	53	67	38

### Any other information:

Not Applicable

### 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>
**Status of non-cooperation with previous CRA (if applicable):** None

**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	9.00	SMERA BBB-/Stable (Assigned)
Working Capital Demand Loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA BBB-/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BBB-/Stable (Assigned)

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