

Press Release

Kohinoor Carpets

July 09, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 17.00 crore bank facilities of Kohinoor Carpets. The outlook is '**Stable**'.

Kohinoor Carpets based at Haryana is a proprietorship concern incorporated in 1989 by Mr. Ram Chander Chutani. It is engaged in manufacturing carpets, cushion cover, curtain, pillow cover, rugs, mats, durries, bathmats, bed sheet. It procures raw material like polyester fabric, wool, yarn and cotton yarn from local market. The firm procures the raw material from the local markets of Delhi and sells its product to countries like USA, Australia, among others.

Key Rating Drivers

Strengths

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

KC, incorporated in 1989, has a long track of three decades in the textile industry and the promoter shares the same experience by running the firm.

- **Below average financial risk profile**

KC has average financial risk profile marked by debt-equity ratio at 3.15 times as on 31 March, 2018 (Provisional) as compared to 4.11 times as on 31 March, 2017. The interest coverage ratio is healthy at 1.77 times in FY2017-18 (Provisional) as compared to 1.71 times in FY2016-17. The return on capital employed stood moderate at 9.71 percent in FY2017-18 (Provisional) as compared to 10.16 percent in FY2016-17. The NCA/TD stood at 0.08 times in FY2017-18 (Provisional) as compared to 0.07 times in FY2016-17.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive as marked by Gross Current Assets (GCA) of 499 days as on March 31, 2018 (Provisional) as compared to 433 days as on March 31, 2017. It is mainly on account of high debtors of 361 days as on March 31, 2018 (Provisional) and 270 days as on March 31, 2017 and inventory of 140 days as on March 31, 2018 (Provisional) and 114 days as on March 31, 2017. As a result, the working capital limits, though moderate, have been highly utilized for six months through March 31, 2018 (Provisional). Acuité believes that the operation of KC continues to be working capital intensive.

- **Risk related to economic conditions in the export countries**

KC is engaged in manufacturing of carpets, rugs and floor covering and exports to countries like USA, Australia, Germany, among others. Thereby exposing it to the risk related to economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact the orders inflow of the concern.

- **Foreign exchange fluctuation risk**

KC exports around 75 percent of its products to International market such as USA, Spain, Italy, France, to name a few and does all the transactions in foreign currencies. This leads to foreign exchange risk.

However, it may be noted that the concern does foreign exchange hedging.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of Kohinoor Carpets to arrive at this rating.

Outlook: Stable

Acuité believes that KC will maintain 'Stable' business risk profile on the back of management's extensive experience in the textile industry and long track of operations. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or in case of elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	26.56	33.90	40.45
EBITDA	Rs. Cr.	4.26	4.69	4.76
PAT	Rs. Cr.	0.78	0.85	0.88
EBITDA Margin	(%)	16.04	13.84	11.77
PAT Margin	(%)	2.95	2.52	2.17
ROCE	(%)	9.71	10.16	10.46
Total Debt/Tangible Net Worth	Times	3.15	4.11	4.05
PBDIT/Interest	Times	1.77	1.71	2.01
Total Debt/PBDIT	Times	5.30	6.06	5.89
Gross Current Assets (Days)	Days	499	433	372

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	1.00	ACUITE B+ / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A4
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable

*Includes sublimit of packing credit of Rs. 7.00 crore.

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About Acuité Ratings & Research:

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