

Press Release

Kamal Process

May 30, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs. 10.00 crore bank facilities of KAMAL PROCESS (KP). The outlook is '**Stable**'.

Established in 1999, Kamal Process (KP) is a Gujarat-based partnership firm promoted by Mr. Umerfaruk Surti and family. The firm is engaged in bleaching, dyeing and printing of cotton and polyester fabrics on job work basis. The firm has its facility located at Ahmadabad (Gujarat) with installed capacity of dyeing 28 lakh meters per month.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the KP to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

KP was established in 1999 by Mr. Umerfaruk Surti and family. The firm has established track record of two decades in dyeing and printing industry. The promoter possesses vast experience of two decades in this industry. Acuité believes that KP will benefit from experienced management which will help the firm to maintain long standing relations with its customers and suppliers.

- **Improving revenue trend and profitability**

The firm has improving revenue trend marked by operating income of Rs.42.15 crore in FY2018 as against Rs.32.68 crore in FY2017 and Rs.30.98 crore in FY2016. The firm booked revenue of Rs.59.25 crore for FY2019 (Provisional). Further, the firm's operating margins stood at 6.41 percent in FY2018 as against 4.43 percent in FY2017 and 4.21 percent in FY2016.

The firm reported Profit after Tax (PAT) margin of negative 7.55 percent in FY2018 against 1.66 percent in FY2017. Decline in PAT margins in FY2018 is due to additional depreciation charged on acquisition of new plant and machinery during the year. Acuité believes that the growth in revenue and absence of any capex plans are expected to support the profitability of the firm.

Weaknesses

- **Weak financial risk profile**

The financial risk profile of the firm is weak as reflected by negative net worth of Rs. 0.97 crore as on March, 2018 as against Rs.2.57 crore in the previous year on account high depreciation charged on acquisition of new plant and machinery which resulted in PAT loss. The gearing stood at negative 13.58 times as on 31 March, 2018 as against 3.92 times in the previous year. The total debt of Rs.13.20 crore includes term loan from bank of Rs.9.10 crore and unsecured loan of Rs.4.10 crore. Interest Coverage Ratio (ICR) stood at 2.98 times and DSCR stood at 1.81 times in FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood at negative 30.74 times as on 31 March, 2018. The net cash accruals to total debt (NCA/TD) stood at 0.14 times in FY2018.

Going forward, Acuité believes that the firm's ability to improve its net worth along with debt protection metrics will remain key rating sensitivity.

Liquidity position:

The firm has stretched liquidity marked by its net cash accruals as compared to its maturing debt obligations. KP generated cash accruals of Rs.1.1-1.8 crore during the last three years through 2017-18, while the maturing debt obligations were in the range of Rs.0.6-2.8 crore over the same period. The cash accruals are estimated to remain around Rs.2.3-3.3 crore during 2019-21, while its repayment obligations are estimated to be around Rs.2.8 crore. KP maintains cash and bank balances of Rs.0.60 crore as on March 31, 2018. The current ratio stood low at 0.67 times as on March 31, 2018. Acuité believes that the liquidity of the firm is likely to be revised to moderate liquidity over the medium term on account of no long term debt obligation and infusion of capital

Outlook: Stable

Acuité believes that KP's outlook will remain 'Stable' over the medium term from its experienced management and improving revenue and profitability. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability, or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	42.15	32.68	30.98
EBITDA	Rs. Cr.	2.70	1.45	1.30
PAT	Rs. Cr.	(3.18)	0.54	0.42
EBITDA Margin	(%)	6.41	4.43	4.21
PAT Margin	(%)	(7.55)	1.66	1.36
ROCE	(%)	(18.11)	10.53	37.70
Total Debt/Tangible Net Worth	Times	(13.58)	3.92	1.58
PBDIT/Interest	Times	2.98	10.75	10.47
Total Debt/PBDIT	Times	4.76	6.63	1.71
Gross Current Assets (Days)	Days	105	119	94

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

None

Any other information

Not Applicable

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
Term loans	Not Applicable	Not Applicable	Not Applicable	5.19	ACUITE B / Stable
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	4.81	ACUITE B / Stable

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About Acuité Ratings & Research:

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