

## Press Release

### Kamal Process

May 30, 2019

### Rating Assigned



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

\* Refer Annexure for details

### Rating Rationale

Acuite 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

Acuite 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. Acuite 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. Acuite 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, Acuite 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. Acuite believes that the liquidity of the firm is likely to be revise to moderate liquidity over the medium term on account of no long term debt obligation and infusion of capital

### Outlook: Stable

Acuite 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

## Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuute.in">aditya.gupta@acuute.in</a></p> <p>Grishma Muni Analyst - Rating Operations Tel: 022-49294075 <a href="mailto:grishma.muni@acuiteratings.in">grishma.muni@acuiteratings.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuute.in">rating.desk@acuute.in</a></p>

### About Acuite Ratings & Research:

Acuite Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuite.