

September 17, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	2.00	SMERA BBB-/Stable/Assigned
Term Loan	2.50	SMERA BBB-/Stable/Assigned
Letter of Credit	2.00	SMERA A3+/Stable/Assigned

SMERA has assigned a ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.4.50 crore long term facilities (fund based) and '**SMERA A3+**' (read as **SMERA A three plus**) to the Rs 2.00 crore short term facilities (non fund based) of Kenda Farben India Private Limited (Kenda Farben). The ratings of Kenda Farben are supported by the company's long track record of operations and experienced management. The rating is further supported by the company's healthy financial risk profile marked by low leverage, healthy profitability margins and strong coverage indicators. However, the rating is constrained by the company's small scale of operations in a highly competitive and fragmented industry.

Kenda Farben is engaged in manufacturing of solvent-based and water-based adhesives and varnishes. Although the company has a small scale of operations, its revenues have grown at a CAGR of 28.95 per cent over FY2008 to FY2012. Kenda Farben was initially engaged in trading of adhesives and varnishes as a dealer for Kenda Farben SPA, Italy. In FY2008, Kenda Farben India Private Limited entered into a joint venture arrangement with Kenda Farben SPA, Italy and resorted to manufacturing adhesives and varnishes. Kenda Farben SPA, Italy holds 50 per cent stake in the equity capital of Kenda Farben India Private Limited. The finished products are sold under the brand name 'Kenda Farben'. The company is undertaking capacity expansion through setting up a factory in Noida, Uttar Pradesh for manufacturing adhesives and varnishes. The project cost is estimated at Rs.8.00 crore, which is likely to be funded through bank borrowings of Rs.2.50 crore and promoter's funds of Rs. 5.50 crore.

Kenda Farben follows a moderate leverage policy with total debt-to-equity ratio at 0.72 times as on March 31, 2012. The company's debt protection metrics are comfortable with interest coverage ratio at 5.84 times and DSCR at 4.33 times for FY2012. The company achieved revenues of Rs.24.77 crore as per the provisional financial statements of FY2013.

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Kenda Farben operates in a highly fragmented industry and is exposed to intense competition due to limited product differentiation.

The company's overall operations are managed by Mr. Gaurav Malik, Chief Executive Officer, who has 15 years of experience in the same line of business. Further, the top management is ably supported by an experienced second line of management. The company also derives technical support from its venture partner Kenda Farben SPA, Italy.

Outlook: Stable

Kenda Farben has a 'Stable' outlook. SMERA believes that Kenda Farben will continue to maintain its scale of operations on the back of its experienced management and continuous capacity enhancement. However, the company's ability to scale up its operations while maintaining profitability and achieving efficient working capital management remains the key rating sensitivity.

About the company

Kenda Farben was incorporated on March 26, 1997 by Mr. Jaspal Singh Sawhney, Mr. Parmmeet Singh Sawhney and Mr. Gaurav Malik. In September 2008, Kenda Farben SPA, Italy acquired 50 per cent stake in the total equity capital of Kenda Farben under a joint venture arrangement. Subsequently, Mr. Marco Barbich, Ms. Lucia Barbich and Mr. Alberto Lunardon were nominated as directors on the board of Kenda Farben.

Kenda Farben manufactures solvent-based and water-based adhesives and varnishes, which are sold under the brand name 'Kenda Farben'. The company caters to various footwear manufacturing units including Faria Impex, Eagle Forgings and Salchem International.

Kenda Farben is headed by Mr. Gaurav Malik, Chief Executive Officer, who has 15 years of experience in the same line of business.

For FY2012, Kenda Farben reported net profit of Rs.0.70 crore on total income of Rs.17.86 crore as compared with net profit of Rs.1.20 crore on total income of Rs.13.46 crore for FY2011. As per the provisional figures for FY2013, the company reported revenues of Rs.24.77 crore.

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SMERA RATINGS LIMITED

Kenda Farben India Private Limited**Rating
Rationale****Contact List**

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