



SMERA RATINGS LIMITED

Kenda Farben India Private Limited (KFIPL)

*Rating
Rationale*

December 17, 2014

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

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and the short-term rating of '**SMERA A3+**' (read as **SMERA single A three plus**) on the Rs.6.50 crore bank facilities of Kenda Farben India Private Limited (KFIPL). The outlook is '**Stable**'. The ratings continue to draw support from the company's experienced management and healthy financial risk profile. However, the ratings are constrained by the company's small-scale operations in an intensely competitive segment of the chemical industry.

Update

KFIPL's net sales increased from Rs.24.27 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.31.52 crore in FY2013-14. The company's debt-equity ratio stood at 0.95 times as on March 31, 2014, as compared with 0.90 times a year earlier. KFIPL's operating profit margin increased from 12.57 per cent in FY2012-13 to 13.94 per cent in FY2013-14 on account of decline in material cost. The company's net profit margin improved from 5.40 per cent in FY2012-13 to 6.86 per cent in FY2013-14. KFIPL has set up a new factory unit in Noida, with installed manufacturing capacity of 1,560 metric tonnes per annum (MTPA).

KFIPL continues to benefit from its experienced management. Mr. Gaurav Malik, director of KFIPL, has around two decades of experience in the chemical industry. KFIPL's healthy financial risk profile is reflected in debt-equity ratio of 0.95 times as on March 31, 2014 and interest coverage ratio of 7.31 times in FY2013-14.

Notwithstanding healthy revenue growth, the company has small-scale operations marked by revenue of Rs.31.52 crore in FY2013-14. KFIPL operates in a highly competitive segment of the chemical industry.

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Outlook: Stable

SMERA believes KFIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and profitability while maintaining healthy financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile or working capital management

About the company

KFIPL is a Noida-based company engaged in manufacturing of chemicals used in the footwear industry. The company was promoted in 1997 by Mr. Gaurav Malik, Mr. Jaspal Singh Sawhney and Mr. Parmeet Singh Sawhney. KFIPL has a manufacturing unit in Noida, with total installed capacity of 1,560 MTPA.

For FY2013-14, KFIPL reported profit after tax (PAT) of Rs.2.17 crore on operating income of Rs.31.52 crore, as compared with PAT of Rs.1.31 crore on operating income of Rs.24.27 crore in FY2012-13. The company's net worth stood at Rs.11.43 crore as on March 31, 2014, as compared with Rs.9.05 crore a year earlier.

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