

July 31, 2013

Facilities	Amount (Rs. Crores)	Rating
Cash Credit	2.40	SMERA B/Stable/Assigned
Term Loan	0.08	SMERA B/Stable/Assigned
Bank Guarantee	0.50	SMERA A4/Assigned
Letter of Credit	2.50	SMERA A4/Assigned

SMERA has assigned ratings of '**SMERA B**' (read as SMERA Single B) to the Rs.2.48 crores long term facilities (fund based) and '**SMERA A4**' (read as SMERA A four) to the Rs.3.00 crores short term facilities (non-fund based) of Kalimata Vyapaar Private Limited (KVPL). The outlook is '**Stable**'. The ratings are constrained by the company's weak financial profile marked by muted profitability, low net worth and high leverage. The ratings are further constrained by the company's limited operational track record, moderate scale of operations, moderate liquidity position and limited bargaining power with customers. However, the ratings derive support from the promoter's extensive experience and the company's status as an approved vendor for the Ministry of Indian Railways and Research Design and Standards Organization (RDSO), Lucknow.

Incorporated in 2006, KVPL commenced operations in March 2008 and is involved in manufacturing machined components mainly used by the Indian Railways and other wagon manufacturers. KVPL has a moderate scale of operations with FY2012-13 (refers to financial year, April 01 to March 31) revenues at Rs.15.88 crores (provisional). The company's profitability is suppressed by its limited bargaining power with customers and the net profit margin has remained below 1 per cent since the commencement of business. Low profitability and inadequate capital infusion have resulted in low tangible net worth, which has turned positive only from FY2011-12. Though the management infused capital worth Rs.0.50 crores in FY2013-14, the company's leverage still remains very high. KVPL's operations are working capital intensive with major funds being blocked in inventory. Consequently, the company's working capital cycle spans around 70 days for FY2011-12 and FY2012-13. This has resulted in moderate utilization of working capital limit at ~85 per cent during November 2012 to May 2013.

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The directors of the company have over a decade's experience in manufacturing machined components for the Indian Railways. Further, KVPL is an approved vendor for the Ministry of Indian Railways and Research Design and Standards Organization (RDSO), Lucknow.

Outlook: Stable

KVPL has a 'Stable' outlook. SMERA believes that KVPL will continue to benefit from being an approved vendor for the Indian Railways. However, KVPL's ability to expand its scale of operations, enhance profitability and improve capital structure remains the key rating sensitivity.

About the company

KVPL was incorporated in 2006 by Mr. Anant Jhawar and Mr. Vikash Jhawar. The company is engaged in manufacturing machined components such as elastic rail clips and coil springs, which are majorly used by the Indian Railways and wagon manufacturers. Till FY2012-13, both the directors of KVPL were also directors in Kalimata Ispat Industries Private Limited, a company engaged in a similar line of business.

KVPL is an approved vendor for the Ministry of Indian Railways and Research Design and Standards Organization (RDSO), Lucknow. Further, KVPL has been recently upgraded to the 'Part I' category by the RDSO, which entitles the company to bid for the entire contract value of the tenders.

KVPL reported net profit of Rs.0.08 crores on total income of Rs.9.48 crores for FY2011-12 as compared with net profit of Rs.0.02 crores on total income of Rs.7.44 crores for FY2010-11. Further, the company has earned revenues of Rs.15.88 crores and profit before tax of Rs.0.16 crores in FY2012-13 (provisional).

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