

May 22, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.40 (enhanced from Rs.2.40 crore)	SMERA B/Stable (Reaffirmed)
Term Loan 1	0.00 (fully repaid)	SMERA B/Stable (Withdrawn)
Term Loan 2	0.03 (new term loan)	SMERA B/Stable (Assigned)
Bank Guarantee	0.75 (enhanced from Rs.0.50 crore)	SMERA A4 (Reaffirmed)
Letter of Credit	1.50 (reduced from Rs.2.50 crore)	SMERA A4 (Reaffirmed)

SMERA has reaffirmed and assigned ratings of '**SMERA B**' (read as **SMERA single B**) to the Rs.4.43 crore long-term bank facilities and '**SMERA A4**' (read as **SMERA A four**) to the Rs.2.25 crore short-term bank facilities of Kalimata Vyapaar Private Limited (KVPL). The outlook is '**Stable**'. The ratings are constrained by the company's moderate scale of operations, limited bargaining power against customers and low profit margins. The ratings are also constrained by the company's low net worth and high leverage. However, the ratings continue to draw comfort from the company's experienced management and established association as an approved vendor of the Ministry of Indian Railways and Research Design and Standards Organization, Lucknow.

### Update

KVPL reported PAT of Rs.0.13 crore on revenue of Rs.15.98 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's profit margins continue to remain susceptible to raw material price volatility. Moreover, the company's bargaining power against its principal customer (Indian Railways) is limited on account of the intense competition involved in contract bidding. Consequently, KVPL reported low net profit margin of 0.82 per cent in FY2012-13.

KVPL's net worth remained low at Rs.0.22 crore as on March 31, 2013, rendering the company dependent on debt. Consequently, KVPL's gearing (debt-equity ratio) remained high at 29.55 times as on March 31, 2013. However, the company's long-term debt of Rs.4.31 crore (as on March 31, 2013) includes interest-bearing unsecured loans of Rs.4.07 crore (subordinated to bank borrowings) from related parties. Further, KVPL received additional capital of Rs.0.50 crore in FY2013-14. The company's working capital cycle remains comfortable at 63 days in FY2012-13. KVPL's average utilisation of cash credit limit is moderate at ~82 per cent during July 2013 to November 2013.

KVPL registered revenue of Rs.12.00 crore (provisional) during April 2013 to December 2013.

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**Outlook: Stable**

SMERA believes that KVPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its association with the Indian Railways. KVPL's ability to expand its scale of operations while enhancing profitability and improving financial risk profile remains the key rating sensitivity.

**About the company**

KVPL, incorporated in 2006, is a Kolkata-based company engaged in manufacturing of various machined components, including elastic rail clips and coil springs, which are mainly used by the Indian Railways and wagon manufacturers.

KVPL is promoted by Mr. Anant Jhavar and Mr. Vikash Jhavar. Till FY2012-13, the promoters of KVPL were directors in Kalimata Ispat Industries Private Limited, a company engaged in a similar line of business.

KVPL's manufacturing unit is located in Barjora, Paschim Banga. The company is an approved 'Part I' category vendor for the Ministry of Indian Railways and Research Design and Standards Organization (RDSO), Lucknow.

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