

March 10, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.40	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Term Loan	0.03	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Bank Guarantee	0.75	SMERA A4 (Reaffirmed)
Letter of Credit	1.50	SMERA A4 (Reaffirmed)

SMERA has upgraded the long-term rating on the bank facilities of Kalimata Vyapaar Private Limited (KVPL) to '**SMERA B+**' (**read as SMERA single B plus**) from to 'SMERA B' (read as SMERA single B). The outlook is '**Stable**'. The rating on the short-term bank facilities has been reaffirmed at '**SMERA A4**' (**read as SMERA A four**). The upgrade reflects healthy growth in revenues and marginal improvement in capital structure of the company. However, the ratings are constrained by the company's moderate-scale operations and low profit margins. The ratings note that the company has limited bargaining power against customers. The ratings are also constrained by the company's low net worth and high gearing. However, the ratings continue to draw comfort from the company's experienced management and established association with Indian Railways and Research Design and Standards Organization.

### Update

KVPL reported profit after tax (PAT) of Rs.0.16 crore on revenue of Rs.22.51 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with PAT of Rs.0.13 crore on revenue of Rs.15.94 crore in the previous year. The company's profit margins remain susceptible to volatility in prices of raw materials. KVPL has limited bargaining power against its principal customer viz. Indian Railways.

KVPL is highly dependent on tender-based orders procured through an intensely competitive bidding process. The company's net profit margin is low at 0.71 per cent in FY2012-13.

KVPL's net worth increased to Rs.1.14 crore as on March 31, 2014 (from Rs.0.23 crore a year earlier) on account of equity infusion of Rs.0.70 crore. The company's gearing (debt-equity ratio) remains high at 8.23 times as on March 31, 2014. KVPL's long-term debt of Rs.4.54 crore (as on March 31, 2014) includes interest-bearing unsecured loans of Rs.4.52 crore from related parties. The aforementioned unsecured loans are subordinated to bank borrowings. KVPL has maintained a comfortable working capital cycle of 72 days in FY2013-14. The company's average utilisation of cash credit limit was moderate at ~74 per cent during September 2014 to January 2015.

KVPL registered revenue of Rs.20.74 crore (provisional) during April 2014 to November 2014.

**Outlook: Stable**

SMERA believes KVPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established 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 promoted by Mr. Anant Jhawar and Mr. Vikash Jhawar. KVPL is engaged in manufacturing of various machined components such as elastic rail clips and coil springs. The company mainly caters to the Indian Railways.

Until FY2012-13, the promoters of KVPL were directors in Kalimata Ispat Industries Private Limited, a company engaged in manufacturing of rail components.

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

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