

April 23, 2016

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

SMERA has reaffirmed the long-term rating of '**SMERA B+** (read as **SMERA B plus**) and short-term rating of '**SMERA A4** (read as **SMERA A four**) on the above mentioned bank facilities of Kalimata Vyapaar Private Limited (KVPL). The outlook is '**Stable**'. The ratings continue to be constrained by the company's moderate scale of operations and low profit margins. The ratings also note the limited bargaining power and working capital intensive operations of the company. However, the ratings continue to draw support from the improved gearing levels and experienced management. The ratings also take into account the established association with the Indian Railways as also the Research Design and Standard Organisation.

Update

KVPL reported profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.32.73 crore for FY2014-15, as compared with PAT of Rs.0.16 crore on operating income of Rs.22.51 crore in FY2013-14. The profit margins of the company remained susceptible to volatility in price of raw materials. It continued to remain low at 0.66 per cent in FY2015. Further, the company has limited bargaining power against its principal customer, Indian Railways. KVPL is highly dependent on tender-based orders procured through an intense competitive bidding process.

Outlook: Stable

SMERA believes that KVPL will maintain a stable business risk profile over the medium term owing to its promoters' extensive industry experience and established relations with Indian Railways. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' if it fails to achieve the projected scalability or registers deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

Rating Sensitivity Factors

- Increase in scale of operation and profitability
- Prudent working capital management

About the Company

KVPL, incorporated in 2006 by Mr. Anant Jhawar and his brother, Mr. Vikash Jhawar is engaged in the manufacture of components such as elastic rail clips and coil springs. The company is an approved 'Part I' vendor for the Ministry of Indian Railways and Research Design and Standards Organization (RDSO), Lucknow. The manufacturing unit of the company is located at Barjora, West Bengal.

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