

Press Release

Kalimata Vyapaar Private Limited (KVPL)

16 August, 2017

Rating Reaffirmed



Total Bank Facilities Rated *	Rs 6.68. Crore
Long Term Rating	SMERA B+ /Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

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 Rs 6.68 crore bank facilities of Kalimata Vyapaar Private Limited (KVPL). The outlook is '**Stable**'.

Incorporated in 2006 by Mr. Anant Jhawar and Mr. Vikash Jhawar, KVPL is engaged in the manufacturing of components such as elastic rail clips and coil springs, used mainly by the Indian Railways and wagon manufacturers. KVPL is an approved vendor for the Ministry of Indian Railways and Research Design and Standards Organization (RDSO), Lucknow. The manufacturing unit is located at Barjora, West Bengal.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The Directors, Mr. Anant Jhawar and Mr. Vikash Jhawar have more than a decade of experience in the aforementioned business.

Reputed clientele: KVPL caters to the Indian Railways, Texmaco Rail and Engineering Limited, Hindustan Engineering & Industries Limited, Jupiter Alloys and Steel (India) Limited among others. The company generates 50 per cent revenue from the railways and the balance from private players.

Moderate financial risk profile: The moderate financial risk profile is marked by low gearing, interest coverage and net worth. The gearing stood comfortable at 0.57 times in FY2017 (Provisional) as against 0.61 times in FY2016. The interest coverage improved to 1.67 times in FY2017 (Provisional) from 1.59 times in FY2016. The NCA/TD stood comfortable at 0.15 times in FY2017 (Provisional) and 0.17 times in FY2016. The net worth base stood at Rs 6.65 crore in FY2017 (Provisional) as against Rs 5.65 crore in FY2016.

Weaknesses:

Working capital intensive business: The operations are working capital intensive marked by gross current asset (GCA) days of 252 in FY2017 (Provisional) and 321 days in FY2016. The high gross current asset is mainly on account of high inventory days of 161 in FY2017 (Provisional) as against 156 days in FY2016.

Fall in revenue: KVPL's revenue declined during the last two years to Rs 19.95 crore in FY2017 (Provisional) from Rs 32.73 crore in FY2015. The fall in revenue is primarily on account of reduction in the numbers of tenders. However, the company is confident about increasing revenue in the current year with orders in hand of ~ Rs 13 crore which is likely to be executed by October 2017.

Intense competition: KVPL faces stiff competition from other organised and unorganised players in the industry.

Analytical approach- SMERA has considered the standalone business and financial risk profiles of KVPL.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook – Stable

SMERA believes that the outlook on KVPL's rated facilities will remain stable over the medium term on account of its experienced management and moderate order book. The outlook may be revised to 'Positive' if the company registers sustained growth in revenue while increasing profit margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in profit margins or deterioration in the capital structure on account of extensive external borrowings.

About the Rated Entity Financials

For FY2017 (Provisional), KVPL reported Profit after Tax (PAT) of Rs.0.21 crore on total operating income of Rs.19.95 crore compared with PAT of Rs.0.20 crore on total operating income of Rs.25.24 crore in FY2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instruments/Facilities	Term	Amount (Rs Cr.)	Ratings/Outlook
23 April, 2016	Cash Credit	Long Term	4.40	SMERA B+/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	0.03	SMERA B+/Stable (Reaffirmed)
	Letter of credit	Short Term	1.50	SMERA A4 (Reaffirmed)
	Bank Guarantee	Short Term	0.75	SMERA A4 (Reaffirmed)
10 March, 2015	Cash Credit	Long Term	4.40	SMERA B+/Stable (Upgraded)
	Term Loan	Long Term	0.03	SMERA B+/Stable (Upgraded)
	Letter of credit	Short Term	1.50	SMERA A4 (Reaffirmed)
	Bank Guarantee	Short	0.75	SMERA A4

		Term		(Reaffirmed)
22 May 2014	Cash Credit	Long Term	4.40	SMERA B/Stable (Reaffirmed)
	Term Loan	Long Term	0.00	SMERA B/Stable Withdrawal)
	Term Loan	Long Term	0.03	SMERA B/Stable (Assigned)
	Letter of credit	Short Term	1.50	SMERA A4 (Reaffirmed)
	Bank Guarantee	Short Term	0.75	SMERA A4 (Reaffirmed)
31 July 2013	Cash Credit	Long Term	2.40	SMERA B/Stable (Assigned)
	Term Loan	Long Term	0.08	SMERA B/Stable Assigned)
	Letter of credit	Short Term	2.50	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	0.50	SMERA A4 (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	NA	NA	NA	4.43	SMERA B+/Stable (Reaffirmed)
Letter of credit	NA	NA	NA	1.50	SMERA A4 (Reaffirmed)
Bank Guarantee	NA	NA	NA	0.75	SMERA A4 (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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