

January 17, 2014

Facilities	Amount (Rs. Crore)	Rating
Working Capital Demand Loan	17.00	SMERA C (downgraded from SMERA BB/Stable)
Bank Guarantee	0.30	SMERA A4 (downgraded from SMERA A4+)
Proposed Working Capital Demand Loan	3.00	SMERA C (downgraded from SMERA BB/Stable)

SMERA has downgraded the bank loan ratings of KK Fibers Limited (KKFL) to 'SMERA C/SMERA A4' from 'SMERA BB/Stable/SMERA A4+'. The downgrade primarily reflects KKFL's stretched liquidity position evidenced by frequent overdrawing of working capital limits. Moreover, the downgrade factors in Shiva Texfabs Limited's (parent entity of KKFL) delays in servicing debt obligations.

Shiva Texfabs Limited (SMERA D) holds 92 per cent stake in KKFL and the promoters of Shiva Texfabs Limited have extended personal guarantee for the loans availed by KKFL. The rating factors in the management's long-standing experience in the textile industry.

About the company

KKFL, incorporated in 2005, is engaged in manufacturing of polyester staple fiber (PSF) from recycled polyethylene terephthalate (rPET) flakes. KKFL has a manufacturing unit in Kala Amb (Himachal Pradesh), with an installed capacity of 14,000 metric tonnes per annum. KKFL was originally promoted by the Khanna, Kalra and Jain families. In December, 2009, KKFL was taken over by Shiva Texfabs Limited (SMERA D), the flagship company of the Shiva Group of companies. STL holds 92 per cent stake in KKFL and the promoters of STL have extended personal guarantee for the loans availed by KKFL.

For FY2012–13, KKFL reported PAT of Rs.0.78 crore on net sales of Rs.98.88 crore, as compared with PAT of Rs.0.82 crore on net sales of Rs.91.05 crore for FY2011–12. KKFL's net worth stood at Rs.11.62 crore as on March 31, 2013, as compared with Rs.10.84 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher Head - Sales - Corporate Ratings Tel : +91-22-67141193 Cell : +91-9819136541 Email : sanjay.kher@smera.in Web: www.smera.in	Mr. Umesh Nihalani Head - Corporate Ratings Tel: +91-22-67141106 Cell: +91-9833651336 Email: umesh.nihalani@smera.in	Tel: +91-22-67141170 Email: ratingdesk@smera.in

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.