



SMERA RATINGS LIMITED

KK Fibers Limited (KKFL)**Rating
Rationale****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 overdrawn of working capital limits. Moreover, the downgrade factors in Shiva Textfabs Limited's (parent entity of KKFL) delays in servicing debt obligations.

Shiva Textfabs Limited (SMERA D) holds 92 per cent stake in KKFL and the promoters of Shiva Textfabs 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 Textfabs 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.

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