

**February 11, 2014**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	2.25	SMERA B+/Stable (Assigned)
Bank Guarantee	6.50	SMERA A4 (Assigned)

SMERA has assigned a long term rating of '**SMERA B+**' (read as **SMERA B plus**) and a short term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs. 8.75 crore bank facilities of Kushal Karyashala (Kushal). The outlook is '**Stable**'. The ratings are constrained by the firm's small scale of operations, declining operating profit margins and high level of customer concentration. However, the ratings are supported by the firm's moderate leverage and experienced management.

Kushal, established in 2002, is a New Delhi-based partnership firm engaged in manufacturing of brooms. Kushal is also involved in trading of wipers, ropes, floor dusters, hangers and laundry clips. The firm has small-scale operations with revenues of Rs.8.66 crore in FY2012-13 (refers to financial year, April 01 to March 31). Kushal's operating profit margin declined from 12.35 per cent in FY2009-10 to 8.28 per cent in FY2012-13 due to increase in raw material cost and other manufacturing expenses. The firm is exposed to customer concentration risk as it solely caters to the canteen stores department (CSD).

Kushal's leverage is moderate at 1.89 times as on March 31, 2013. The firm benefits from its experienced management. Mr. Vijay Mangla, partner of Kushal, has around ten years of experience in the firm's line of business.

Outlook: Stable

SMERA believes the outlook on Kushal's rated facilities will remain stable over the medium term on the back of the firm's experienced management and long track record of operations. The firm's ability to expand its scale of operations without compromising on profitability and liquidity position will be a key rating sensitivity. The outlook may be revised to 'Negative' in case of sharp deterioration in the firm's profit margins and financial risk profile. The outlook may be revised to 'Positive' in case the firm achieves strong growth in revenues while maintaining leverage at comfortable levels and achieving improvement in liquidity metrics.

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**About the firm**

Kushal, established in 2002, is a New Delhi-based partnership firm promoted by Mr. Vijay Mangla and Ms. Shashi Mangla. Kushal is engaged in manufacturing of brooms. The firm is also involved in trading of wipers, ropes, floor dusters, hangers and laundry clips. Kushal has a manufacturing unit in Sonipat, Haryana.

For FY2012–13, Kushal Karyashala reported PAT of Rs.0.26 crore on operating income of Rs.8.66 crore, as compared with PAT of Rs.0.21 crore on operating income of Rs.6.02 crore for FY2011–12. The firms' net worth stood at Rs.1.46 crore as on March 31, 2013, as compared with Rs 0.96 crore a year earlier.

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