

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.

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.

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.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Virendra Goyal, VP – SME Sales Tel : +91 -22-67141177 Cell : +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Umesh Nihalani, Head – Corporate Ratings Tel: +91-22-67141106 Cell: +91 9833651336 Email: umesh.nihalani@smera.in	Tel: +9122-67141128 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.