

April 30, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan^	4.00	SMERA B/Stable (Assigned)
Cash Credit	1.50	SMERA B/Stable (Assigned)

<sup>^</sup>Fully interchangeable with letter of credit/buyer's credit

SMERA has assigned a rating of '**SMERA B**' (read as SMERA single B) to the Rs.5.50 crore bank facilities of Krishna Fancyfab Private Limited (KFPL). The outlook is '**Stable**'. The rating is constrained by the company's limited track record of operations, small operating scale, moderate financial risk profile and working capital-intensive operations amidst intense competition prevalent in the textile industry. However, the rating is supported by the company's experienced management and technologically advanced looms.

KFPL, incorporated in 2013, is a Bhiwandi-based company engaged in manufacturing of grey fabric for shirting and dress materials. The company started commercial production in August 2013. KFPL has a small operating scale reflected in revenues of Rs.10.03 crore (provisional) for the year ending March 2014. The company's moderate financial risk profile is marked by low net worth of Rs.2.25 crore (provisional) as on March 31, 2014. KFPL's overall gearing (measured by total outside liabilities to tangible net worth) is high at 2.53 times (provisional) as on March 31, 2014. The company's operations are working capital-intensive, as reflected in gross current assets of 144 days (provisional) for the year ending March 2014. KFPL faces intense competition from several players in the textile industry.

KFPL benefits from its experienced management. Mr. Amit Jagwani, managing director of KFPL, has around 15 years of experience (derived through group entities) in the textile industry. The company has installed 24 advanced technology looms (Somet shuttleless rapier looms, imported from Italy) to manufacture wide width fabric.

### **Outlook: Stable**

SMERA believes KFPL will maintain a stable business risk profile on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected profit margins while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected profit margins, or in case of stretch in the company's liquidity position on account of delays in receipt of subsidy from government and collection of dues from customers. KFPL's ability to operate at optimal capacity utilisation levels while registering healthy profit margins is a key rating sensitivity.

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### About the company

KFPL, incorporated in 2013, is a Bhiwandi-based company promoted by Mr. Amit Jagwani and Mr. Vinod Jagwani. KFPL has set up a weaving unit in Thane (Maharashtra), with 24 shuttleless rapier looms for manufacturing grey fabric. The company started commercial production in August 2013.

KFPL registered revenue of Rs.10.03 crore (provisional) for the year ending March 2014. The company's net worth stood at Rs.2.25 crore (provisional) as on March 31, 2014.

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