

May 20, 2015

Facilities	Amount (Rs. crore)	Rating
Term Loan	4.00	SMERA BB-/Stable (Upgraded from B/Stable)
Cash Credit	1.50	SMERA BB-/Stable (Upgraded from B/Stable)
Term Loan (proposed)	2.50	SMERA BB-/Stable (Assigned)
Cash Credit (proposed)	1.00	SMERA BB-/Stable (Assigned)

SMERA has upgraded the long-term rating on the Rs.9.00 crore bank facilities of Krishna Fancyfab Private Limited (KFPL) to '**SMERA BB-**' (read as **SMERA double B minus**) from '**SMERA B+**' (read as SMERA single B plus). The outlook is '**Stable**'. The upgrade is in view of better-than-expected operating efficiency of the company. The upgrade also reflects the company's efficient working capital management, comfortable liquidity position and experienced management. However, the rating is constrained by the company's debt-funded capex plan.

### Update

KFPL registered revenue of Rs.19.83 crore during the period April 01, 2014 to January 31, 2015, as against revenue of Rs.10.32 crore for the period August 2013 to March 2014. The company reported healthy operating profit margin of 9.83 per cent in FY2013-14. KFPL has a comfortable working capital cycle of 42 days in FY2013-14. The company's utilisation of cash credit was low at 66 per cent during August 2014 to January 2015.

KFPL plans to undertake capex of Rs.3.25 crore towards purchase of 18 shuttleless looms. The project cost is likely to be funded through term loan of Rs.2.25 crore and promoters' funds of Rs.1.00 crore.

### Rating sensitivity factors:

- Higher-than-expected debt funded capex
- Risks associated with timely implementation of the project
- Capacity utilisation levels post commissioning of the project

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**Outlook: Stable**

SMERA believes KFPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and healthy operating efficiency. The outlook may be revised to 'Positive' in case the company registers higher-than-expected net cash accruals while maintaining a comfortable working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's profit margins, or in case of deterioration in the company's liquidity position and financial risk profile.

**About the company**

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

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