



SMERA RATINGS LIMITED

Komal Sales Corporation (KSC)**Rating
Rationale****May 30, 2014**

Facilities	Amount (Rs. Crore)	Rating
Packing Credit*	3.00	SMERA A4 (Assigned)
Foreign Documentary Bill Negotiation under LC (FDBN)	22.00	SMERA A4 (Assigned)

**Fully Inter-changeable with cash credit*

SMERA has assigned a rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Komal Sales Corporation (KSC). The rating is constrained by the firm's weak financial risk profile, low profit margins and stretched liquidity position. The rating is also constrained by the susceptibility of the firm's profit margins to volatility in cotton prices. However, the rating is supported by the firm's experienced management. The rating also draws comfort from the firm's proximity to cotton growing regions in Gujarat.

KSC, established in 2005, is an Ahmedabad-based proprietorship firm engaged in trading of raw cotton. KSC has weak debt protection metrics, as reflected in high leverage (total outside liabilities to tangible net worth ratio) of 59.47 times as on March 31, 2013 and low interest coverage ratio of 1.27 times in FY2012-13 (refers to financial year, April 01 to March 31). The firm's net worth is low at Rs.0.15 crore as on March 31, 2013. KSC's profit margin is low at 0.29 per cent in FY2012-13. Moreover, the company's net profit (of Rs.0.08 crore in FY2012-13) is supported by foreign exchange fluctuation gain of Rs.0.37 crore. KSC's stretched liquidity position is reflected in full utilisation of packing credit facility during October 2013 to April 2014. The firm's profit margins are highly susceptible to volatility in cotton prices.

KSC benefits from its experienced management. Mr. Suresh Amin, chief executive officer of KSC, has around two decades of experience in trading of raw cotton. KSC benefits from its proximity to cotton growing regions in Gujarat.

About the firm

KSC, established in 2005, an Ahmedabad-based firm owned by Mr. Gunjan Amin. KSC is engaged in trading of raw cotton.

For FY2012-13, KSC reported profit of Rs.0.08 crore on total operating income of Rs.25.69 crore, as compared with profit of Rs.0.05 crore on total operating income of Rs.7.85 crore for FY2011-12. KSC's net worth stood at Rs.0.15 crore as on March 31, 2013, as compared with Rs.0.08 crore a year earlier. The firm registered total operating income of Rs.70.72 crore (provisional) in FY2013-14. KSC's net worth stood at Rs.1.21 crore (provisional) as on March 31, 2014.

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Rating
Rationale

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