

July 02, 2014

Facilities	Amount (Rs. Crore)	Rating
Term Loan*	12.54	SMERA B/Stable (Assigned)
Cash Credit (proposed)	1.30	SMERA B/Stable (Assigned)

**Includes letter of credit as a sublimit to the extent of Rs. 7.00 crore*

SMERA has assigned a rating of '**SMERA B** (read as **SMERA single B**) to the Rs.13.84 crore bank facilities of Khator Technical Textiles Private Limited (KTTPL). The outlook is '**Stable**'. The rating is mainly constrained by the company's limited track record of operations in the technical textile industry. However, the rating is supported by the company's qualified management. The rating also draws comfort from the company's entitlement to subsidies under the Technology Upgradation Fund Scheme (TUFS).

KTTPL, incorporated in April 2013, is a Silvassa-based company engaged in manufacturing of geotextiles. The company commenced commercial operations in April 2014. KTTPL has set up a technical textile manufacturing unit with total installed capacity 2,400 tonnes per annum (TPA) in Silvassa. The project cost is Rs.16.72 crore, which is funded through equity capital of Rs.4.18 crore and long-term loans of Rs.12.54 crore. KTTPL has pending orders worth Rs.3.18 crore (as on May 27, 2014). The company's ability to generate healthy cash flows from repeat orders is a key rating sensitivity.

KTTPL benefits from its qualified management. Mr. Amit Khator, director of KTTPL, has a graduate degree in technical textiles and a post graduate degree in management. The company is eligible to receive tax rebate and interest subvention benefit under the TUFS. Moreover, the aforementioned benefits under TUFS are conditional to timely servicing and repayment of debt by applicants, thus entailing financial discipline on the part of applicants.

Outlook: Stable

SMERA believes KTTPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Negative' in case the company registers lower-than-expected cash flows from operations. The outlook may be revised to 'Positive' in case the company registers healthy profitability while achieving optimal capacity utilisation.

About the company

KTTPL, incorporated in April 2013, is a Silvassa-based company promoted by Mr. Kailash Khator and Mr. Amit Khator. KTTPL is engaged in manufacturing of geotextiles.

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