

JULY 08, 2016

## CARE ASSIGNS 'CARE BBB' RATING TO THE BANK FACILITIES OF KALANIKETHAN FASHIONS PRIVATE LIMITED

**Rating**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long-term Bank Facilities	15	<b>CARE BBB (Triple B)</b>	<b>Assigned</b>
<b>Total Facilities</b>	<b>15 (Rupees Fifteen crore only)</b>		

**Rating Rationale**

The rating assigned to the bank facilities of Kalanikethan Fashions Private Limited (KFPL) takes into account long industry experience and track record of promoter group, established market position with renowned brand name, established relationships with large supplier base, moderate scale of operation with increasing profit margins in the last 3 years ended FY16 (Provisional) (refers to the period April 1 to March 31) and satisfactory capital structure & debt coverage indicators. The rating is, however, constrained by flat revenue growth witnessed in the last 3 years ended FY16 (Prov.), working capital intensive nature of business resulting in an extended operating cycle, and presence in a highly competitive and fragmented industry with large number of players owing to low entry barrier. The ability of the company to expand the scale of operation along with an improvement in profitability in a highly competitive scenario and maintaining the capital structure are the key rating sensitivities.

**Background**

KFPL, incorporated in 2005 has been promoted by Mr Rajendra Kumar and is a part of the Kalanikethan group. KFPL is engaged in retailing of ready-made garments, sarees and kids wear under the brand name 'Kalanikethan'. Kalanikethan group is one of the key players in specialty retailing in South India. Kalanikethan Group was initially started as a partnership firm by Mr Venkateswara Rao in 1990 with his four sons as partners. As a part of restructuring in August 2012, the group's business was divided among the four sons of Mr Venkateswara Rao. KFPL came under the management of Mr Rajendra Kumar who is currently the Managing Director of the company. KFPL, currently, operates 21 stores across Telangana, Tamil Nadu, Karnataka, and Kerala. All stores are on leased premises with combined floor space of nearly 157,200 square feet (sq ft).

During FY16 (Prov.), KFPL reported PBILDT of Rs.14.39 crore (FY15: Rs.13.42 crore) and a PAT of Rs.3.31 crore (FY15: Rs.3.00 crore) on a total operating income of Rs.200.15 crore (FY15: Rs.192.57 crore).

**Analyst Contact**

Name: Ms Puja Jalan

Tel: 040 40102030

Cell: +91 9160001511

Email: puja.jalan@careratings.com

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

**Disclaimer:** CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**CONTACT****Head Office Mumbai****Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com

**Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com

**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com

**CHANDIGARH****Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,  
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com

**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com

**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

**PUNE****Mr. Rahul Patni**9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

**CIN - L67190MH1993PLC071691**