

AUGUST 31, 2016

CARE ASSIGNS 'CARE BBB+' & 'CARE A2' RATINGS TO BANK FACILITIES OF KUSUMGAR CORPORATES PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	33.16	CARE BBB+ (Triple B Plus)	Assigned
Short term Bank Facilities	11.84	CARE A2 (A Two)	Assigned
Total Facilities	45.00 (Rupees Forty Five crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Kusumgar Corporates Pvt. Ltd (Kusumgar) derive strength from the experience of the promoter in the Technical Textile business, integrated presence across the value chain and diversified product mix. The ratings also factor in growth in operations and improvement in profitability margins during FY16 (refers to the period April 01 to March 31), healthy capital structure and comfortable debt coverage ratios.

These rating strengths are, however, constrained by small scale of operations, project risk and customer and supplier concentration risk. Furthermore, the ratings are also constrained by fluctuation in the prices of raw materials and forex movements imparting volatility to the profitability and competitive nature of the industry.

The ability of the company to execute the project in a timely manner and generate adequate accruals and increase the scale of operations while maintaining profitability margins and working capital cycle remains the key rating sensitivity.

Background

Kusumgar was originally incorporated in June 1990 in the name of Kusumgar Finstock Pvt. Ltd and later changed its name to Kusumgar Corporates Pvt. Ltd in November 2008. It is established by Mr Yogesh Kusumgar (Chairman) who has more than 40 years of experience in Technical Textile industry. Kusumgar is engaged in the manufacturing of speciality textiles and industrial fabrics such as armed forces fabrics such as parachute fabrics, ballistic fabrics, protective fabrics, etc; industrials fabrics such as filter fabrics, coated fabrics, etc; sports and recreational fabrics, geo-synthetic fabrics; etc. Kusumgar uses a wide variety of specialty materials including polyamide and polyester filament yarns, speciality nylon & rayon yarns, poly-aramid yarns, etc. It uses varied types of looms such as conventional Shuttle looms, Dornier Rigid Rapier looms, Sulzer Flexible Rapier Looms, Sulzer Projectile Weaving Machines, etc. It weaves fabrics of finer denier from 30D to coarser ones 1000D yarns. Over the years, Kusumgar has emerged as a small-sized integrated Technical Textile player with presence across the value chain right from weaving to processing/dyeing/finishing to printing to coating and lamination. Existing manufacturing facilities are located at Umbergaon (weaving) Vapi (weaving & processing).

During FY16, Kusumgar reported net sales and PAT of Rs.102.59 crore and Rs.7.68 crore, respectively, vis-à-vis FY15, where-in it reported net sales and PAT of Rs.81.49 crore and Rs.10.76 crore, respectively.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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.

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