

Kalyan Silks Trichur Private Limited

Instruments	Amounts (Rs. crore ¹)	Rating action
Long-term - Term loan facilities	38.87 (enhanced from 35.00)	[ICRA]BBB+ (Stable) / reaffirmed
Long-term - Fund based facilities	95.00 (enhanced from 65.00)	
Short-term - Non-fund based facilities	3.00	[ICRA]A2 / assigned
Short-term - Non-fund based facilities (sub-limit)	Nil (revised from 1.00)	-

ICRA has reaffirmed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) outstanding on the Rs. 38.87 crore [enhanced from Rs. 35.00 crore] term loan facilities and the Rs. 95.00 crore [enhanced from Rs. 65.00 crore] fund based facilities of Kalyan Silks Trichur Private Limited (KSTPL / the company)². ICRA has also assigned a short-term rating of [ICRA]A2 (pronounced ICRA A two) to the Rs. 3.00 crore non-fund based facilities of the company. The outlook on the long-term rating is stable.

The ratings reaffirmation take into account the steady growth in revenues of the company in FY2016 supported by improving geographical diversification across major textile markets of Kerala and South India. While the integrated nature of the company's operations with presence across retail as well as wholesale operations provide scale economics and cost advantages in procurement to an extent, the margin expansion remains restricted by the high marketing and operating expenses associated with the regular showroom addition. The operating margin in the last fiscal was further impacted by sharp increase in remuneration paid to the directors. The ratings also consider the established brand presence of "Kalyan Silks" in the textile retail market of Kerala where it commands healthy market position. The company's strong brand loyalty, improving product portfolio with introduction of own brands ("Saugandhika" and "Sahaana") and diversified geographical presence with its continued diversification in South Indian markets are likely to support its revenue growth and margins over the medium term.

The ratings, however, continue to remain constrained by high levels of TOL/TNW at 2.0 times as on March 31, 2016 due to high working capital requirements in the business (funded primarily by the credit from suppliers) and regular debt funded capital expenditure incurred towards opening of new showrooms. With the proposed capital expenditure plans to further expand its reach in South Indian markets, leverage levels of KSTPL are expected to remain moderate at least in the medium term. The ratings also factor in intense competition in the market and continuous marketing initiatives undertaken by the company and exposure of earnings to fluctuations in raw material prices which exhibit significant volatility. Going forward, the ability of the company to sustain revenue growth and maintain profitability amidst intensifying competition and to establish its brand in the new geographies, and improve its cash conversion cycle would be critical to support the liquidity position given the ongoing expansion plans and significant debt repayment obligation in the ensuing fiscals.

Company Profile

Kalyan Silks Trichur Private Limited, promoted by Mr. T.S. Pattabiraman, is a leading textile retail player in Kerala. The company is a part of the Kalyan group, which has been existent in the Kerala market for over 100 years. KSTPL commenced its operations as a wholesale distributor of textile products and subsequently ventured into retailing with its first showroom in Thrissur. Over the years, the company has expanded into other markets in Kerala and other South India states. KSTPL currently operates with retail showrooms spread across eight markets in Kerala, one in Bangalore and one each in Salem and Erode (Tamil Nadu). The company also operates in the wholesale distribution of textile products which constitutes ~8% of total revenues in FY2016.

June 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, refer ICRA's website (www.icra.in) or other ICRA rating publications



For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500