



SMERA RATINGS LIMITED

Maa Kamakhya Coke Industries (MKCI)

Rating Rationale

January 22, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	6.00	SMERA BB-/Stable(Assigned)
Foreign Letter of Credit (proposed)	6.50	SMERA A4+(Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.6.00 crore long-term (fund based) bank facility and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.6.50 crore short-term (non-fund based) bank facility of Maa Kamakhya Coke Industries (MKCI). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management and established relations with customers and suppliers. The ratings also draw comfort from the firm's healthy financial risk profile. However, the ratings are constrained by the firm's exposure to raw material procurement risk. The ratings are also constrained by the firm's moderate operating scale and working capital-intensive operations.

MKCI, established in 2004, is a Guwahati-based partnership firm engaged in manufacturing and trading of low ash metallurgical (LAM) met coke, pearl coke and coke breeze. MKCI benefits from its experienced management. Mr. Naveen Singhal, managing director and chief executive officer of MKCI, has around three decades of experience in manufacturing and trading of coke. MKCI also benefits from its long-standing relations with customers and suppliers. The firm's healthy financial risk profile is reflected in low leverage (debt-to-capital ratio) of 0.72 times as on March 31, 2014 and comfortable interest coverage ratio of 2.89 times in FY2013-14 (refers to financial year, April 01 to March 31).

MKCI's operations are susceptible to raw material (coking coal) procurement risk. The firm's revenues declined from Rs.28.58 crore in FY2011-12 to Rs.7.46 crore in FY2012-13 on account of raw material procurement issues in the domestic market. MKCI's management plans to import raw material in an attempt to diversify supplier base and ensure stable procurement.

The firm's operations are working capital-intensive, as evidenced by high gross current assets (GCA) of 465 days and stretched inventory holding period of 382 days in FY2013-14.

Outlook: Stable

SMERA believes MKCI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. The outlook may be revised to 'Negative' in case of steep decline in the firm's revenues and profitability, or in case of deterioration in the firm's financial risk profile and liquidity position.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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About the firm

MKCI, established in 2004, is a Guwahati-based partnership firm promoted by Mr. Naveen Singhal, Mr. Vipin Singhal, Mr. Bimal Kumar Agarwal and Mr. Anil Kumar Agarwal. MKCI undertakes manufacturing and trading of low ash metallurgical (LAM) met coke, pearl coke and coke breeze.

For FY2013-14, MKCI reported profit after tax (PAT) of Rs.0.80 crore on operating income of Rs.19.22 crore, as compared with PAT of Rs.0.11 crore on operating income of Rs.7.46 crore in FY2012-13. The firm's net worth stood at Rs.9.27 crore as on March 31, 2014, as compared with Rs.8.47 crore a year earlier.

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