

April 06, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA BB+/Stable (Assigned)
Cash Credit (proposed)	11.85	SMERA BB+/Stable (Assigned)
Bank Guarantee	0.15	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA BB+**' (read as SMERA double B plus) to the Rs.16.00 crore long-term bank facilities and '**SMERA A4+**' (read as SMERA A4 plus) to the Rs.0.15 crore short- term bank facility of KEJ Minerals Private Limited (KEJ). The outlook is '**Stable**'. The ratings are supported by the company's experienced management. The ratings draw comfort from the strategic location of the company's manufacturing unit. The ratings are also supported by the company's healthy revenue growth, above-average financial profile and comfortable liquidity position. However, the ratings are constrained by the susceptibility of the company's profit margins to volatility in iron ore prices.

KEJ, incorporated in 2008, is a Karnataka-based company engaged in iron ore beneficiation. KEJ benefits from its experienced management. Mr. N. Kejriwal, promoter of KEJ, has three decades of experience in the iron and steel industry. KEJ's factory unit is in proximity to raw material sourcing units. The company's revenue has grown at a strong compound annual growth rate (CARG) of ~69 per cent over the past three years. KEJ's above-average financial profile is marked by operating profit margin of 7.44 per cent in FY2013-14 (refers to financial year, Aril 01 to March 31) and comfortable gearing of 0.86 times as on March 31, 2014. The company's comfortable liquidity position is reflected in cash credit utilisation of ~71 per cent during July 2014 to December 2014.

KEJ's profit margins are highly susceptible to volatility in iron ore prices.

Outlook: Stable

SMERA believes KEJ will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues while maintaining healthy profitability. The outlook will be revised to 'Negative' in case of significant decline in the company's revenues and profit margins.

About the company

KEJ, incorporated in 2008, is a Karnataka-based company promoted by Mr. N. Kejriwal. KEJ undertakes iron ore beneficiation. The company has set up a beneficiation plant in Taranagar, Bellary district (Karnataka). KEJ commenced commercial operations in 2010.

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For FY2013-14, KEJ reported profit after tax (PAT) of Rs.2.41 crore on operating income of Rs.56.42 crore, as compared with PAT of Rs.0.32 crore on operating income of Rs.33.19 crore in FY2012-13. The company's net worth stood at Rs.5.25 crore as on March 31, 2014, as compared with Rs.2.85 crore a year earlier.

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