

April 05, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	10.00	SMERA BB+/Negative (Rating Reaffirmed and Outlook Revised)
Fund Based (Proposed)	5.85	SMERA BB+/Negative (Rating Reaffirmed and Outlook Revised)
Bank Guarantee	0.15	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long term rating of **SMERA BB+ (read as SMERA double B plus)** and short term rating of **SMERA A4+ (read as SMERA A four plus)** on the above mentioned bank facilities of KEJ Minerals Private Limited (KEJ). The outlook is revised from 'Stable' to '**Negative**'. The ratings continue to derive comfort from the promoters' extensive industry experience and strategic location of the beneficiation plant. The ratings also draw support from the comfortable operating margins and above average financial risk profile. However, the ratings are constrained by the regulatory changes associated with the iron ore industry and volatility in iron ore prices.

Update

KEJ reported operating revenue of Rs.77.29 crore in FY2014-15 crore as compared with operating income of Rs.56.79 crore in FY2013-14. However, the revenue fell to Rs.33.21 crore on account of decline in iron ore prices during April to December 2015. SMERA believes that KEJ's revenue profile is expected to remain under pressure in the medium term. The company's operating margins have remained in the range of 7 to 9 per cent over the past three years driven by healthy operating efficiencies. However, SMERA also factors in the exposure of profit margins to volatility in iron ore prices.

KEJ's above average financial risk profile is marked by comfortable gearing of 0.62 times as on March 31, 2015. The liquidity remained comfortable with moderate utilisation of working capital limits.

Outlook: Negative

SMERA believes that the outlook on KEJ will remain 'Negative' over the medium term due to continuous stress in the iron ore industry. The ratings may be downgraded by multiple notches in case of sustained decline in the revenue profile leading to low profitability and deterioration in the financial risk profile. Conversely, the outlook may be revised to 'Stable' if the company registers significant improvement in revenue while maintaining profitability.

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Rating Sensitivity Factors

- Healthy improvement in revenue while maintaining profitability
- Effective working capital management
- Future capex plans and its funding

About the Company

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

For FY2014-15, KEJ reported profit after tax (PAT) of Rs.2.82 crore on operating income of Rs.77.29 crore as compared with PAT of Rs.2.41 crore on operating income of Rs.56.79 crore for FY2013-14. The company's networth stands at Rs.8.07 crore as on March 31, 2015 as compared with Rs.5.25 crore a year earlier.

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