

Press Release

KSP Auto & Forge Private Limited (KAFPL)

March 08, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 8.80 Cr.
Long Term Rating	SMERA BB- /Outlook: Stable (Reaffirmed)

**Refer annexure for details*

SMERA has reaffirmed a long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs8.80 crore bank facilities of KSP Auto & Forge Private Limited. The outlook is '**Stable**'.

Incorporated in 1993, the Gujarat-based KAFPL, initially a partnership firm was later converted into a private limited company in 2008. The company, promoted by Shri Kishor Kathrotia and his partner, Shri Satish Bera is engaged in the manufacture and supply of a wide range of forged components, auto parts, CNC turned components among others. The products find application in various industries such as automobile, oil and gas, home appliances, bearing and the railways. The company is ISO 9001:2008 certified and has its manufacturing unit at Rajkot, Gujarat.

Key rating drivers

Strengths

Experienced Management

The directors of the company have an experience of more than two decades experience in the aforementioned line of business. This has helped the company to establish healthy relationships with its customers and suppliers of more than a decade.

Steady growth in operating income and operating margins

The revenue profile has recorded steady growth in revenue profile marked by revenue of Rs 22.06 crore in FY 2017 as against Rs 20.80 crore in FY 2016 and Rs 17.69 crore in FY 2015. Further the operating margin also improved from 10.95 per cent in FY 2016 to 14.43 per cent in FY 2017 due to the fall in raw material prices.

Weaknesses

Weak Financial Risk Profile

The company has an average financial risk profile marked by a high gearing of 3.51 times as on March 31, 2017 as against 3.15 times as on March 31, 2016. The networth stood at Rs 4.25 crore as on March 31, 2017 as against Rs 3.72 crore as on March 31, 2016. The gearing deteriorated due the infusion of funds by way of unsecured loans to the tune of Rs 4.00 crore. The interest coverage ratio stood 2.28 times in FY 2017 as against 2.32 times in FY 2016 The DSCR stood at 1.03 times in FY 2017 as against 1.34 times in FY 2016.

Working Capital intensive operations

KAPL's operations are working capital intensive marked by high Gross Current Assets (GCA) days of 276 in FY 2017 as against 224 in FY 2016. The GCA days are dominated by high debtor days of 173 in FY 2017 as against 150 in FY 2016. The average bank utilization limit stood at 90 per cent.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of KAFPL to arrive at the rating.

Outlook – Stable

SMERA believes that the company will continue to benefit over the medium term from its experienced management and established market presence. The outlook maybe revised to 'Positive' if the company is able to widen its marketing network resulting in healthy revenue scalability. Conversely the outlook maybe revised to 'Negative' if the company's financial risk profile deteriorates on account of declining revenue and profitability weakening the above average financial risk profile of the company.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.06	20.80	17.69
EBITDA	Rs. Cr.	3.18	2.28	1.91
PAT	Rs. Cr.	0.35	0.11	(0.05)
EBITDA Margin	(%)	14.43	10.95	10.77
PAT Margin	(%)	1.57	0.53	(0.97)
ROCE	(%)	11.58	9.62	10.77
Total Debt/Tangible Net Worth	Times	3.51	3.15	1.84
PBDIT/Interest	Times	2.28	2.32	2.22
Total Debt/PBDIT	Times	4.66	5.14	3.47
Gross Current Assets (Days)	Days	276	224	211

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22 December 2016	Cash Credit	Long Term	5.00	SMERA BB- / Stable (Downgraded)
	Term Loan	Long Term	0.90	SMERA BB- / Stable (Downgraded)
	Proposed Cash Credit	Long Term	2.00	SMERA BB- / Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.90	SMERA BB- / Stable (Assigned)
28 August 2015	Cash Credit	Long Term	5.00	SMERA BB / Stable (Assigned)
	Term Loan	Long Term	0.90	SMERA BB / Stable (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00 (Enhance from Rs 5.00 crore)	SMERA BB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.39 (Revised from Rs.0.90)	SMERA BB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.41	SMERA BB- / Stable (Assigned)

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ABOUT SMERA

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