K.J. Steel Rolling Mills: Assigned

Facility	Amount (Rs Crore)	Rating/Outlook
Cash Credit	20.00	SMERA BB/Stable (Assigned)

SMERA has assigned long-term rating of **'SMERA BB' (read as SMERA double B)** on the Rs.20.00 crore bank facility of K.J. Steel Rolling Mills (KJSRM). The outlook is **'Stable'**.

The rating draws support from the experienced management and moderate financial risk profile marked by average gearing, interest coverage and comfortable profitability. However, the rating is constrained by the high liquidity (80 per cent bank limit utilised) and intense competition in the auto component industry. SMERA also notes that the company has significantly high debtors.

KJSRM, incorporated in 2004 is engaged in the manufacture of flats, bars and spring steel. The firm has moderate financial risk profile marked by moderate gearing (debt-to-equity) at 1.05 times as on March 31, 2016 (provisional) against 1.50 times in FY2014-15. The networth stood at Rs.15.23 crore (includes unsecured loans of Rs.10.22 crore) as on March 31, 2016 (provisional) as against Rs.12.92 crore (includes unsecured loans of Rs.8.84 crore) in FY2014-15. Moreover, the interest coverage ratio stood at 1.58 times in FY2015-16 (provisional) against 1.67 times in the previous year. The profit after tax (PAT) stood at Rs.1.43 crore in FY2015-16 (provisional) as against Rs. 1.39 crore in FY2014-15.

KJSRM has achieved operating income of Rs.136.34 crore in FY2015-16 (provisional), a decline from Rs.149.73 crore in FY2014-15. The firm has registered operating margin of 3.89 per cent in FY2015-16 (provisional) as against 3.04 per cent in FY2014-15. The PAT margin stood at 1.05 per cent in FY2015-16 (provisional) against 0.93 per cent in the previous year. KJSRM operates in an intensely competitive segment of the auto component industry.

Outlook: Stable

SMERA believes that KJSRM will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the firm registers substantial growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Rating Sensitivity Factors

- Increasing scale of operations and profitability
- Improvement in profit margins.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

The Jalandhar-based KJSRM was incorporated as a partnership firm in 2004 by Mr. Pawan Kumar, Mrs. Jyoti Goyal, Mr. Pritpal Singh, and Mrs. Mohinder Kaur. The firm is engaged in the manufacture of flats, bars and spring steel at Jalandhar, Punjab.

For FY2015-16 (provisional), the firm reported profit after tax (PAT) of Rs.1.43 crore on operating income of Rs.136.34 crore, as compared with profit after tax (PAT) of Rs.1.39 crore on operating income of Rs.149.73 crore in FY2014-15. The net worth stood at Rs.15.23 crore as on March 31, 2016 (provisional) against Rs.12.92 crore a year earlier.

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ABOUT SMERA

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